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HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966-67

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. RICHARD CASHIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

TUESDAY, FEBRUARY 22, 1966

TUESDAY, APRIL 5, 1966

Main Estimates (1966-67) of the
Department of Mines and Technical Surveys

WITNESSES:

From the Department of Mines and Technical Surveys: The Honourable J.-L. Pepin, Minister; Dr. J. M. Harrison, Acting Deputy Minister; Mr. K. M. Pack, Director of Administration; Mr. J. P. Drolet, Assistant Deputy Minister (Mines); Mr. R. B. Toombes, Acting Chief, Mineral Resources Division.

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OTTAWA, 1966

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STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Richard Cashin

Vice-Chairman: Mr. Ovide Laflamme

and

Mr. Addison,
Mr. Andras,
Mr. Beaulieu,
Mr. Bower,
Mr. Choquette,
Mr. Code,
Mr. Davis,
Mr. Faulkner,
Mr. Forest,
Mr. Fulton,
Mr. Goyer,
Mr. Grafftey,
Mr. Hales,
Mr. Hopkins,
Mr. Latulippe,
Mr. McCutcheon,
Mr. McNulty,
Mr. Peters,
Mr. Saltsman,
Mr. Scott (Victoria (Ont.)),
Mr. Tremblay,
Mr. Wahn—(24).

R. V. Virr,
Clerk of the Committee.

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ORDERS OF REFERENCE

HOUSE OF COMMONS.
MONDAY, February 7, 1966.

Resolved,—That the following Members do compose the Standing Committee on Industry, Research and Energy Development:

Messrs.

Addison	Faulkner	McNulty
Andras	Forest	Peters
Beaulieu	Goyer	Racine
Bower	Grafftey	Saltsman
Cashin	Hales	Scott (Victoria (Ont.))
Choquette	Laflamme	Stefanson
Code	Latulippe	Tremblay
Davis	McCutcheon	Wahn (24)

TUESDAY, February 8, 1966.

Ordered,—That the name of Mr. Hopkins be substituted for that of Mr. Racine on the Standing Committee on Industry, Research and Energy Development.

WEDNESDAY, February 9, 1966.

Ordered,—That the name of Mr. Fulton be substituted for that of Mr. Stefanson on the Standing Committee on Industry, Research and Energy Development.

TUESDAY, March 22, 1966.

Ordered,—That, saving always the powers of the Committee of Supply in relation to the voting of public monies, the items listed in the Main Estimates for 1966-67, relating to the Department of Mines and Technical Surveys be withdrawn from the Committee of Supply and referred to the Standing Committee on Industry, Research and Energy Development.

Attest,

LÉON-J. RAYMOND,
The Clerk of the House.

23951—1½

MINUTES OF PROCEEDINGS

TUESDAY, February 22, 1966.
(1)

The Standing Committee on Industry, Research and Energy Development met at 9:30 a.m. this day, for purposes of organization.

Members present: Messrs. Andras, Beaulieu, Bower, Cashin, Choquette, Davis, Faulkner, Grafftey, Hales, Hopkins, Laflamme, McCutcheon, McNulty, Whan—(14).

The Committee Clerk attending, and having called for nominations, on motion of Mr. Laflamme, seconded by Mr. Faulkner, it was

Resolved,—That Mr. Cashin do take the Chair of this Committee as Chairman.

Mr. Cashin, having been declared elected as Chairman, thereupon took the chair, and thanked the Committee for the honour conferred upon him.

Mr. Andras moved, seconded by Mr. Laflamme, that Mr. Choquette be elected Vice-Chairman of this Committee.

Mr. Choquette asked that his name be withdrawn, and by leave, the mover and seconder withdrew their motion.

Mr. Hales moved, seconded by Mr. McCutcheon, that Mr. Beaulieu be elected Vice-Chairman of this Committee.

Mr. Choquette moved, seconded by Mr. Hopkins, that Mr. Laflamme be elected Vice-Chairman of this Committee.

On motion of Mr. Choquette, seconded by Mr. Wahn,

Resolved,—That nominations be closed.

The Chairman then proceeded to put the motion of Mr. Hales that Mr. Beaulieu be elected Vice-Chairman of this Committee. The motion was resolved in the negative on the following division: Yeas, 5; Nays, 8.

The motion of Mr. Choquette that Mr. Laflamme be elected Vice-Chairman of this Committee was carried on the following division: Yeas, 8; Nays, 6.

On motion of Mr. Davis, seconded by Mr. Laflamme,

Resolved,—That the Chairman and four members appointed by him do compose the Sub-committee on Agenda and Procedure.

After discussion, it was agreed that the composition of the sub-committee would be as follows: the Chairman, the Vice-Chairman, two representatives of the Progressive Conservative party, and one representative for the other parties.

Following a general discussion, the Committee adjourned at 9:50 a.m., to the call of the Chair.

Dorothy F. Ballantine,
Clerk of the Committee.

TUESDAY, April 5, 1966.
(2)

The Standing Committee on Industry, Research and Energy Development met at 11:17 a.m. this day, the Chairman, Mr. Cashin, presiding.

Members present: Messrs. Andras, Bower, Cashin, Code, Davis, Faulkner, Forest, Goyer, Hales, Hopkins, Laflamme, McCutcheon, McNulty, Peters, Saltsman, Scott (*Victoria (Ont.)*), Tremblay—(17).

In attendance: The Honourable J.-L. Pepin, Minister of Mines and Technical Surveys; Dr. J. M. Harrison, Acting Deputy Minister; Mr. K. M. Pack, Director of Administration; Mr. J. P. Drolet, Assistant Deputy Minister (Mines); Mr. R. B. Toombes, Acting Chief, Mineral Resources Division.

The Chairman informed the Committee that there would be a meeting of the Steering Sub-committee shortly after the Easter recess.

On motion of Mr. Forest, seconded by Mr. Peters,

Resolved,—That the Committee print 750 copies in English and 250 copies in French of its Minutes of Proceedings and Evidence.

The Chairman read the Committee's Order of Reference dated March 22, 1966.

The Chairman outlined the procedure to be followed in considering the estimates (1966-67) of the Department of Mines and Technical Surveys. He then called on the Minister of Mines and Technical Surveys, the Honourable J.-L. Pepin to make an opening statement.

The Minister opened his remarks by referring to the recent reorganization and expansion of the Mines and Technical Surveys Branch.

He then reviewed briefly the mining industry of Canada and outlined some of the current problems associated with it.

In addition he explained the responsibilities and activities of the various branches that comprise his department. He particularly emphasized the importance of a national water policy and the necessity of continuing an active program in the anti-pollution field.

The members questioned the Minister who was assisted in his answers by Mr. Drolet and Mr. Toombes.

At 12.50 p.m. the Committee adjourned to the call of the Chair.

R. V. Virr,
Clerk of the Committee.

EVIDENCE

OTTAWA, April 5, 1966.

● (11.15 a.m.)

The CHAIRMAN: Gentlemen, we now have a quorum and therefore we can proceed.

I may say at the outset I have been advised that it would be profitable if you spoke as closely as possible to the microphone because we do not have any shorthand reporters today, and therefore the proceedings will be recorded and transcribed at a later date. So to be sure that your words get on the record correctly, bear this in mind.

First of all, I would like to say that we have not yet had a formal meeting of our steering committee. I did meet briefly with and spoke to a representative of the Democratic party and also of the Conservative party concerning what we might decide regarding the long-term procedure to be adopted by the committee. As we all know this is a new course of procedure of committees dealing with the estimates. Perhaps those of you who have been on other committees that have dealt with estimates are aware of certain courses of action that these committees have taken.

In view of the difficulty yesterday of getting together, I did not think it was imperative that we have a meeting of the steering committee before today's meeting because today's meeting will consist primarily of statements by the Minister followed by questions from members of the committee. But I do hope we will have a meeting of the steering committee before we meet again, which will probably be early after the recess.

The first order of business on the agenda today is a pro forma thing, namely that we have to do a motion for printing. We have to decide how many copies of the committee proceedings we will want to have printed. I understand from the committee branch that the procedure, generally speaking, is to decide on approximately 750 in English and 250 in French.

Now it may be the wish of the committee to vary the figure one way or another, but in any event it would be in order at this point that we have a motion on this matter.

Mr. FOREST: I move that the committee cause to be printed 750 copies in English and 250 in French of the minutes of Proceedings and Evidence.

Mr. PETERS: I second the motion.

Motion agreed to.

The CHAIRMAN: The second order of business this morning is the estimates, and I think it might be appropriate at this point if I read the terms of reference that have been given the committee. It has been "ordered that, saving always

the powers of the Committee of Supply in relation to the voting of public moneys, the items listed in the main estimates for 1966-67 relating to the Department of Mines and Technical Surveys be withdrawn from the Committee of Supply and referred to the standing Committee on Industry, Research and Energy Development."

You have copies of the estimates and I am informed that there is not a great surplus of these, so that it would be appreciated if you would keep them in your possession and bring them back at the next meeting. At a later date we will be examining the estimates item by item. There is one thing that we can decide later, but in case it is on any of your minds now, may I say that if we follow the course of action of other committees, we will stand over Item No. 1; we will hear the Minister and proceed with such questioning as the committee wishes, then stand the matter over and proceed with the detailed examination of the estimates. At the end of consideration of the estimates, if there are any other comments arising, we can make them then. I just mention that at the outset.

I now call Item No. 1, Departmental Administration, and I ask the Hon. Jean-Luc Pepin, Minister of Mines and Technical Surveys, to make an opening statement.

> 1. Departmental Administration including the administration of the Explosives Act, Canada's fee for membership in the Pan-American Institute of Geography and History and a grant of $10,000 to the Mining Association of British Columbia. $3,217,400

(*Translation*)

Hon. JEAN-LUC PEPIN (*Minister of Mines and Technical Surveys*): Mr. Chairman, I would like first, to thank you for your warm welcome and, then, to point out that there are several officials from my Department here. They were very interested in seeing you and I expect that you are equally interested in seeing them. I expect that, after Easter, you will request their presence in this room; each one will come and explain to you the work of his branch. As I was saying, each one hopes to have the pleasure of meeting you in the near future.

(*English*)

Last December the Prime Minister announced that there would be a departmental reorganization that would affect the Department of Mines and Technical Surveys. You will bear in mind, I hope, that this reorganization has not been debated in the House yet, but as you also know this reorganization has been carried out in fact.

The new Department of Mines and Technical Surveys has been extended considerably by this change; it now comprises not only the former Department of Mines and Technical Surveys but also the Water Resource Branch of Northern Affairs and National Resources and quite a large number of agencies of the Federal Government which will now report to parliament through me. These agencies are the National Energy Board, the Atomic Energy of Canada Limited, the Atomic Energy Control Board and Eldorado Mining and Refining. I

hope I am not forgetting any! Of course the Dominion Coal Board which used to report to parliament via the Minister of Mines and Technical Surveys is still in that position. I do not think we should discuss the reorganization today because this should be done in the House first, but as far as I am concerned, I have no objection in the future to answering this committee not only with respect to Mines and Technical Surveys but also with respect to the different agencies and to the Water Resources Branch formerly attached to northern affairs.

Today I hope to give first a very rapid view of the situation of the mining industry and then to tell you a little about the work of each branch of Mines and Technical Surveys. Later on, if the Chairman and members of the committee are agreeable, I would like to be invited to come back and to talk about two or three subjects that are going to come up very soon, and I refer mostly to coal, to the continental shelf, and possibly also to the roads to resources program.

With respect to coal you are aware that the government has asked Dr. Donald of Montreal to report on the situation in Cape Breton. He is going to do that later this month. Following the reception of this report the government will announce its intentions to remedy the present situation in Cape Breton. We might want to discuss that report and that policy here. I think it would be a very useful subject for discussion.

Today I intend also to say a few words about water and about pollution.

How long do I have, Mr. Chairman?

The CHAIRMAN: You may take as much time as you need, I guess, Mr. Minister.

Mr. PETERS: May I just ask this one question?

Mr. PEPIN: Yes, you may interrupt me at any time.

Mr. PETERS: Does the International Joint Commission of the United States and Canada handling the Great Lakes come under your department now?

Mr. PEPIN: No, it comes under External Affairs, but the actual "war on pollution" in the Great Lakes I think is mostly my responsibility.

Mr. PETERS: Does this include the water levels and the recommendations made by the committee last year?

Mr. PEPIN: We have the water levels, too, yes. The Department of Transport has something to do with water levels too, but I would think that we have first responsibility. We are the co-ordinators.

(*Translation*)

Allow me first to say that I am very honoured to speak for a Department which, over the years, has made a very significant contribution to our scientific and technological knowledge and to the economic development of the country. I doubt, Mr. Chairman, whether there is one single aspect of Canadian economy which has not benefited from the work of the Department of Mines and Technical Surveys.

May I now simply glance at the Canadian economic situation with regard to mining.

(*English*)

The Canadian mineral industry in 1965 continued the strong advances in each of its three sectors; metallic minerals, industrial minerals, and mineral fuels. Of particular significance in 1965 was the high rate of success in the discovery of mineral deposits of economic importance and the related preparations for their early development.

Preliminary results show that the value of Canada's minerals for production in 1965 rose over 10 per cent to $3.7 billion. The index of the physical volume of mineral production rose to 346, 1939 being 100, compared to 229 for the Canadian industry as a whole. This difference is the measure of the extent to which the mineral industry has lead the economy in recent years.

(*Translation*)

In 1965, as before, the mineral industry of Canada centred on some 60 minerals of which the most important were crude oil, nickel, iron ore, copper, zinc, natural gas, cement, asbestos, gold, sand and gravel. These products accounted for nearly 80 per cent of the whole of Canada's mineral production. Ontario is at the head of the mineral producing provinces with 26 per cent; Alberta follows with 21 per cent; then comes Quebec with 19 per cent; Saskatchewan with 9 per cent and British Columbia with 8 per cent.

I do not wish to labour this point because you know it well but may I underline that Canada is the biggest producer in the world of several minerals: asbestos, uranium, cobalt, cadmium, titanium. She is also one of the most important producers of many other minerals including copper, lead, iron ore, molybdenum, gold, silver and magnesium. It must be emphasised also that the mineral industry of Canada is very strongly export oriented. Exports of minerals representing about 60 per cent of the production value and one third of the total Canadian merchandise exports.

(*English*)

The mineral development highlights of the past year are too numerous to enumerate at this time. However, I will cite a few as representative of the scale of progress being made in the industry.

First, in the metallic mineral sector, iron ore shipments were over 36 million long tons, an all-time high, with most of the increase coming from Labrador, in your province, Mr. Chairman!

Three iron ore pellet plants with an aggregate annual capacity of nearly 7 million tons and representing a capital investment of some $100 million came into production in 1965. I just happened to be at the opening of Arnaud Pellets at Seven Islands and I was duly impressed. The two Sudbury area nickel producers, Inco and Falconbridge, each have expansion plans under way that will further ensure Canada's leading position in world nickel production.

The start of regular shipments of leads and ore by Pine Point Mines Limited from its large mineral deposit on the south shore of Great Slave Lake in the Northwest Territories will further confirm Canada's position as the world's leading zinc producer and fourth largest in lead output. Preparations

were made in 1965 for bringing into production the important copper-zinc-silver ore body near Timmins, Ontario, discovered in 1964 by Texas Gulf Sulphur. Molybdenum production moved ahead rapidly as a result of major mine development in British Columbia and Canada is now surpassed only by the United States and the Soviet Union in the production of this mineral.

In the industrial mineral sector, the potash industry of Saskatchewan continues its remarkable development, and may I refer in passing to the budget announcement that the potash industry in Saskatchewan will now benefit fully from the 3-year exemption on taxation. The change is made so that mines using the solution mining method are now eligible under this legislation. This will obviously be quite beneficial to the industry in Saskatchewan. Three companies were in production in 1965 and by 1968 there will be six more producers of potash. It is widely acknowledged that the potash reserves of western Canada are the largest and have the highest grade in the world. Elemental sulphur output from the processing of natural gas continues also to rise; the value of shipments in 1965 was at least 25 per cent above 1964, and, because of the world shortage, Canada finds a ready market for all production.

Asbestos resources development has been highlighted by the production plans for the Asbestos Hill deposits in the far northern Ungava in Quebec and for the Clinton Creek deposit in the Yukon Territory.

The cement industry is undergoing a large-scale expansion, which will raise the 1966 year-end capacity 20 per cent above 1964.

Within the mineral fuels sector, crude petroleum, Canada's leading mineral commodity, accounts for 70 per cent of the total value of the fuels group. The oil resource development in the Rainbow Lake area of northwestern Alberta was very successful in 1965,—apparently it will be even more successful in 1966—and consequently reserve growth more than kept pace with the production expansion. Recently in Calgary I made a speech on this subject of petroleum and I referred to the tremendous growth of reserves both in oil and in gas. If my memory is good, the ratio in oil is 23 to 1 and the ratio in gas is 37 to 1. It means that at the moment our production of oil and gas is easily compensated by the growth of reserves, which is a very favourable position to be in.

(*Translation*)

Notwithstanding the remarkable advances made, which were very clearly demonstrated by the 1965 results, the mining industry is not without its problems.

(*English*)

It is not because things are going well that we do not have problems in the mining industry. One of these problems has to do with the production of gold. We have the San Antonio gold mine problem in Bissett, Manitoba, at this very moment. A few weeks ago Mr. Caouette came to visit Mr. Sharp and myself with a delegation from Malartic and Bourlamaque. Communities are being hurt by the closing of gold mines.

I referred a moment ago to the unhealthy situation of coal in Cape Breton. This situation keeps me awake at night because in a few weeks the government will have to announce a policy that cannot please everybody. Nobody likes to be in that position! I went to Cape Breton last week and I went down into the coal mine, which was an experience in itself, but more important still I stayed six or seven hours in a hotel room listening to the views of everybody concerned—the union, the management, the independent coal, producers, the community leaders and after six or seven hours of it you get very confused because, of course, everybody would like to have everything and that is not possible.

We have also some difficulties with respect to uranium. We might talk about it when we study Eldorado. As you know, some people say that we should sell uranium now, especially to the French government, and others say that we should respect our international commitments on safeguards. They add that virtue will pay in the long run in the sense that uranium will become more and more desirable and salable as time advances. These are three problems with respect to mining.

(*Translation*)

I would like to start the second part of my statement by telling you that, when it was announced that I had been appointed Minister of Mines and Technical Surveys and future head of Department of Energy, Mines and Resources, certain people said that there was such a constitutional problem in this field of resources that I obviously was destined to be politically flattened, killed, if you want, by federal-provincial rivalries. I do not agree, since I believe that, even though it is true that the provinces have most of the jurisdiction in matters of resources, the federal government has also very distinct competences of its own in this field. Firstly, the federal government has a responsibility to foster general prosperity. It also has authority because it has jurisdiction in some definite areas: in the case of mining for example, it has jurisdiction over uranium; in the case of water, it has jurisdiction in international waters; it has jurisdiction also over some aspects of the economic policy with respect to physical resources.

When one thinks about the Department of Mines one may well ask oneself what the federal government is doing in this field. It is true that the provinces have the main responsibility here, but, there is, for example, a commercial aspect to mining. I said, a short while ago, that the mining industry in Canada is oriented towards export markets. It is thus, necessary that someone at the federal level takes an interest in export of minerals, and makes recommendations to the federal government on this subject, recommendations about markets, about embargoes, quotas and tariffs. The federal government has a very clear jurisdiction in this matter. Its jurisdiction is different from that of the provinces but is none the less real.

(*English*)

If we think about energy in general, the federal government has a clear jurisdiction there also, having to do again with trade, interprovincial trade and international trade too. I do not have to tell you that the National Energy Board

has jurisdiction on pipeline permits, has jurisdiction in matters of import and export of gas and oil, has jurisdiction in matters of export of hydro electricity. There is indeed a federal jurisdiction in the exploitation of natural resources.

Mr. Chairman, I just wanted to make sure that nobody will feel here that the federal authority is invading provincial jurisdiction!

I would like now to say a few words about each of the branches of the department. The first one is called Surveys and Mapping. The allocation for this branch is $8,589,400 as opposed to $8,106,400 last year.

Canada's basic survey work is carried out by "Surveys and Mapping" well known for its topographical maps and aeronautical charts and for its work in surveying crown lands and interprovincial and international boundaries.

(*Translation*)

One of the branch's important objectives is to complete, between now and 1967, a topographical map of Canada to reconnaissance scale, i.e., four miles to one inch. I expect the map will be part of the 1967 celebrations. However, Branch estimates also reflect a pressing need for the mapping on a larger scale of the more developed areas such as municipalities. The Survey Branch uses an electronic measuring instrument known as an "aerodist". This device, which is mounted in a plane, facilitates surveys carried out above Hudson Straits, Southampton Island, the islands immediately to the north of Hudson Bay, as well as other regions difficult of access.

(*English*)

In 1966 that branch, through its geodetic survey will, in co-operation with the Danish Geodetic Institute, prepare a network of stations between Ellesmere Island and Greenland across Robeson Channel. Measurements of distances and angles will follow in 1967 and be repeated some years later. This is being done to determine whether or not Greenland and Ellesmere Island are actually drifting apart as some scientists suppose. This is being done in cooperation with and coordinated by our Polar Continental Shelf study group. I presume this is quite important to know if Canada is or is not disintegrating geographically!

A few words about a second branch: Geological Survey. For it, we are asking for approximately $9,125,000.

(*Translation*)

The Geological Survey of Canada, which is one of the world's oldest, yet, at the same time, one of the most up-to-date of research organizations, supplies essential information for prospecting, mining exploration and the development of mineral and other Canadian resources. Our geologists are taking an ever-increasing interest in the more detailed studies and the laboratory work so vital to a fully effective search for minerals and fuels. I wish to make clear that a large part of this work is highly specialized and calls for new techniques and new instruments, many of which have been designed and perfected by the Geological Survey itself.

(*English*)

This Geological Survey will have a new laboratory and office building completed, adjacent to the University of Alberta in Calgary, by late 1966. This will be a major step for the Survey in setting up a research and laboratory office of such a size in a centre other than Ottawa. The acting Deputy Minister, Mr. Harrison, was telling me that the Chairman seemed to be favourable to the setting up of a visit by the members of the committee to the department. I think it would be very worthwhile for every one of us—and I include myself—to see these laboratories, and the invitation is a most cordial one.

During the coming field season, the geological survey expects to place 107 parties in the field on varied projects ranging from a combined geological, geophysical and geochemical investigation of a 600-mile belt in northern Saskatchewan, northern Manitoba and southern District of Keewatin to the detailed investigation of the iron deposits on northwestern Baffin Island.

I could go on reading about all these projects, but I presume that it would be more interesting if we could see these things on the spot.

Next, the Geographical Branch—The amount needed is $962,300.

(*Translation*)

The Geographical Branch of my ministry conducts studies which are of fundamental value to forestry, to agriculture, to industry and many other sectors of the Canadian economy. I refer particularly to its program in land-use mapping and regional geography, its urban surveys and port studies. A large part of these studies are done in collaboration with other federal agencies or at their request.

(*English*)

The Geographical Branch is making in 1966 special studies in collaboration with the provinces, particularly as related to the needs of ARDA and EMO. It is carrying out also special studies for the National Harbours Board and St. Lawrence Seaway Authority. It is doing especially interesting work on the St. Lawrence Seaway where studies are being made to determine possibilities of forecasting freeze up. The question of water is very popular at this time. The next two branches are concerned with water: the Water Research Branch—the credit for that one is $1,544,500—and the Water Resources Branch, which used to be in Northern Affairs; the budget for that one is $15,885,500, quite a high figure but this is mostly due to programs that this branch has to administer.

• (11.45 a.m.)

The Research Branch is a new one; it was created only last year in Mines and Technical Surveys. This is why it is the first time it has appeared in the estimates. The Research Branch is responsible for the study of the physical and chemical behaviour and properties of continental waters of all types. Its particular areas of interest are lake waters, ground water, water chemistry and glaciology.

The branch also maintains hourly records of water levels on the St. Lawrence and the Great Lakes. These responsibilities, formally carried out in various branches of the department have been brought together and co-ordinated in this branch. Branch projects are completed by, and will soon be

integrated with, related activities undertaken by the Water Resources Branch of the former Department of Northern Affairs and National Resources. The two branches will give the new department of energy and national resources a powerful team with which to promote the development and the administration of federal water resources. You might want to ask later on what the relations are going to be between the two branches. There is at the moment a team of experts working in the department trying to find out what kind of integration would be most favourable to the two units concerned.

No. 6 is the Marine Science Branch; the budget for this one is $16,424,200.

(*Translation*)

Here are some of the things which this Branch does.

The program of the branch and of its main research agency, the Bedford Institute of Oceanography, Dartmouth, N.S., involves many types of research to meet defence and civilian needs for oceanographic data. Civilian needs include the assessment of the mineral potential of our continental shelf, which has an area of some 500,000 square miles, assistance to our fishermen, the improvement and extension of winter transportation and the opening up of the Arctic to navigation.

At the request of the National Harbors Board and the Department of Transport, branch oceanographers have embarked on a study of tidal currents and dynamics in the lower St. Lawrence River with a view to an improved knowledge of the factors controlling water levels in the St. Lawrence Seaway. At the request of the Atlantic Development Board, they are carrying out a large-scale current survey of the upper Bay of Fundy. An increased research staff will be appointed and assigned to a theoretical investigation of the effect of the installation of power dams and causeways on the tidal and oceanographic regime in the Bay of Fundy.

(*English*)

The tides of the Bay of Fundy are often talked about. There was a larger project that was put aside but there seemed to be more moderate projects that could be exploited profitably.

An extremely important aspect of the branch program is, as you know, carried out by the Canadian Hydrographic Service, the renowned organization that provides the charts and navigational aids so vital to Canadian shipping and navigation. The Service's new small boat charts of the navigable waterways of Ontario have been enthusiastically received by the public, but apparently further requests for money have been less enthusiastically received by the Treasury Board! The resultant mounting demand for these charts will require a substantial increase in small boat charting by the Service. It appears that these charts were most popular. One of them, on the Muskoka area, sold 200,000 copies in two months after publication.

(*Translation*)

The position of Canada in the world market depends, to a large degree, on our ability to find, through research, the means of processing our ores.

For this reason, the research under way in the Mines Branch, which is included in the present estimates assumes a unique importance.

(*English*)

The budget of the Mines Branch is $6,218,700.

(*Translation*)

The work of the Mines Branch covers a broad range of subjects including, among other things, research to improve extraction techniques and to solve problems which may arise in underground mining. Studies in ground control and rock mechanics have been facilitated by the establishment, last year, at Elliot Lake, of a major mining research centre which is to be a central source of information for the Canadian mining industry.

Research in the Mines Branch covers the entire spectrum of metals, industrial minerals and fuels as well as the applications and uses of the processed products. Estimates allow for studies which are of particular importance to producers of iron and steel, uranium, lead, zinc and their by-products and also for research into the improvement of refining techniques and into the means of increasing the use of coal from the West and the Maritimes.

(*English*)

The next branch is the Observatories Branch which is well known also. Our Observatories Branch is well known in fact internationally famous for its investigation in the field of astronomy. A number of fundamental projects in various branches of astronomy are provided for in the current estimates. For the work of this branch, we are asking for the sum of $4,983,000.

The first phases of construction of the Queen Elizabeth II telescope of 150 inch aperture will begin in the current fiscal year. The construction road to the summit of Mount Kobau in British Columbia is largely completed, a contract has been let for the casting of the blank for the mirror, plans are underway to build an optical shop, and consulting services have been obtained for the development of the total concept of the telescope. This will be the major contribution to Canadian astronomy for the next several years.

Navigators, surveyors and many industries depend on the Observatories' time service and its up-to-date charts showing variations in the earth's magnetic field. Those engaged in mineral exploration need, in addition, information on the earth's gravity. The branch's network of 24 seismic stations now being enlarged and modernized, is playing a key role in furthering our understanding of earthquakes and basic architecture of the planet on which we live.

Other divisions are the Resource Development Branch, and the mineral Resources Division.

There is also the Polar Continental Shelf study. This is largely a coordinating agency and provides support to nearly all the other departmental branches in the carrying out of their special studies in the islands of the north. These studies will become of extreme importance when the development of the potential of oil and gas in the Canadian Arctic is realized.

All this gives you an idea of the different branches of the Department of Mines and Technical Surveys.

Now a few words about water! Almost every day in the House or outside somebody gets up and demands a "national water policy". There are two things I would like to say on this subject. First, I have no objection to the use of the word "national" in that sense, but in the present case "national" cannot be synonymous with "federal". Because of the provincial jurisdiction in the field of natural resources, of water in particular. A national water policy can only be a federal-provincial water policy. A national water policy is highly desirable but I believe it would not be right to expect that the federal government can, all by itself, give birth to a national water policy that would be exclusively a federal water policy! I hope everyone here agrees with that. There is a possibility of confusion however because of the too popular identification of "national" and "federal."

The second point I want to bring up is that there is in fact a federal water policy at this time. It may not be perfect. If it were perfect perhaps there would be no need for the major changes that have taken place recently with respect to department organization.

The federal policy has been explained quite often by Mr. Laing and by Mr. Turner and I think it was also well defined in the House recently by Mr. Fulton. I studied closely the speeches made by Mr. Laing and Mr. Turner and the speech made in the House by Mr. Fulton recently. I find myself in the happy position of saying there is no opposition, between them at least with respect to the philosophy, to the objective of the federal water policy.

Do I need to bring to your attention—I do not think I do—the fact that at the moment—and this is possibly an area where the need for co-ordination will be visible—ten departments and nine agencies of the federal government have something to do with water. Northern Affairs and National Resources, even after the loss of the Water Resources Branch, is still interested in water when it has to do with national parks or the north. The Department of Agriculture is interested in water, through P.F.R.A., for example.

Forestry is also interested because of the Eastern Rockies Forest Conservation Board, because of the Maritime Marshland Rehabilitation Act and because of ARDA. ARDA is doing quite a lot of work having to do with water and soil conservation. Mines and Technical Surveys is obviously interested: many of the branches that have been named have, something to do with water; Geological Survey, Mines Branch, Surveys and Mapping, Marine Science Branch are all interested in some way or another. The Department of Public Works also has a lot to do with water. Transport obviously has a lot to do with water on the navigation aspect of it. The National Health and Welfare Department has some responsibility with respect to pollution in particular. The Department of Fisheries is obviously interested because water is the habitat that fish are inclined to adopt! Trade and Commerce was also interested because of the export aspects. I do not want to take anything away from Mr. Winters, but I presume that because the National Energy Board now will be under the new department of Energy, Mines and Resources, the immediate interest of Trade and Commerce will diminish a little but the Minister will certainly keep

an interest. Needless to say that the Department of External Affairs, because of international rivers, because some lakes and rivers are located on the international borders, is vitally concerned.

There are also many agencies involved: Northern Canada Power Commission, St. Lawrence Seaway Authority, Central Mortgage and Housing—because Central Mortgage and Housing makes loans to municipalities for the construction of sewage treatment plants—the Municipal Development Loan Board; the Atlantic Development Board; the National Research Council; Atomic Energy of Canada; the National Harbours Board; the Canadian Maritime Commission, the International Joint Commission; all these agencies of the federal government are interested in some way or other in water.

I do not think that the creation of the new department will eliminate the participation of all the other 10 departments and nine agencies! The main purpose of the new department will be to co-ordinate as much of this activity as is humanly possible.

Now, with respect to water policy; I said a moment ago that Mr. Laing, Mr. Turner and Mr. Fulton, and I am quite sure Mr. Herridge and many other members, have said very good things about what a water policy should be. I said that there was one. What is it based on? The objectives are wise management and an optimum use of water throughout all of Canada; the use of water in the national interest. Mr. Laing, for one, has tried to emphasize the particular aspects of the federal water policy. I will just repeat it.

He defines the federal water policy in the following way:

(*a*) inventory and categorize Canada's various water resources in order to give us the knowledge needed.

And this is done in great part by Mines and Technical Surveys.

(*b*) conduct basic research to augment our understanding of characteristics and potentials of water resources. Conduct applied research as an aid to the management, regulation and usage of resources.

(*c*) institute regulatory measures to protect national interest; for control of water flow across interprovincial and international boundaries; for pollution and related control measures; and for all specific water uses.

(*d*) plan and develop specific projects—in harnessing or diversion for energy, irrigation, transportation, etc.

(*e*) liaison and consultation, with cost shared arrangements where appropriate, with provincial governments collectively and individually and with the United States.

(*f*) publication of scientific and technical reports, maps, etc.

I could quote from Mr. Laing's speech but I could also provide you with copies of his speeches. One of the aspects of this policy which has been most often debated has to do with potential diversion of water. This has been in the public eye in recent months to such an extent that at times one cannot help thinking that there is a bit of hysteria around this question of export of water.

Mr. Laing was quite specific on this. Here is a quotation from his speeches: "Canada's water supply is our water and we intend to do with it what we consider to be in our national interest. That is our continuing policy". Here is another quotation:

> The possibility of bold water diversion schemes. . .for someone else's use does not necessarily meet the basic needs of Canada. If Canadian waters are to be shared with our neighbours, there must be a commensurate reverse flow of benefits towards our Canadian economy. We must also determine whether our future needs will permit export of such a vital resource.

In another instance, Mr. Laing said this:

> I have said, and others have said, that after all of this study and determination we might be ready to discuss export on the basis of a commensurate reverse flow of benefits.

May I underline these words. Jack Davis had a bad experience only two days ago—you cannot say anything on this subject without being badly reported or understood. I agree with what Jack has said, and what Mr. Laing says here as well. There is nothing wrong in contemplating the possibility of export of water. I think we are adult enough in Canada to discuss these things without fear, of taboo, and I think this is what Jack did in the United States two days ago. This is also what Mr. Laing was doing I believe in the quotation I started to read a moment ago. But he added, "I am going to stop saying this, because the statement has been getting far more attention than it deserves".

This might be the wise thing to do! No official requests have been made from the United States for Canadian water. As a matter of fact, Secretary Udall has said that if the Americans could only depollute their own waters they would not need anybody's. On our side we are now just getting into the studies that are necessary to assess if we have a water surplus. When will we know? That is debatable. It will depend in part on the amount of money that Mines and Technical Surveys will be getting! When will we know? I do not know. But, in the meantime, there is, in my view, no reason to be hysterical about the possibility of an export of water.

There was a time when some Canadians resented the contemplation of the possibility of exporting oil and gas or hydroelectricity to the United States. We know better now. I do not want to say that the same thing will happen with respect to water, I do not know, but I do not think we should exclude that as a possibility.

The point I wanted to make was that there is a federal water policy. It probably is not a perfect one. We will try to improve it in the coming months and years. Again I must say I read Mr. Fulton's speech in the House on January 27. He insists on the necessity of integration of services at the federal level, and we certainly agree with that. And the main purpose, of course, of Mr. Pearson's reorganization of my department is to give more cohesion to the interests of the federal government in the field of resources. We must indeed try and integrate the

instruments that the federal government has available, and to try also to integrate as much as possible different aspects in this water policy. This has been done, but it has to be done in a still better way. We have to try and take the full view of the water policy, bearing in mind, always, the irrigation aspect, the agricultural aspect, the power aspect, the recreational aspect. We must always try to take the full view. Some people believe that it has not been done sufficiently in the past. I am quite sure that we will do better in the future.

I would like, but I have not time, to talk about the Northern Ontario Water Resources study which is partially connected with making an assessment of our water supply. I would have liked to talk about the Nelson River development. I would have liked to have said a few words about something which has not yet been formally announced namely, the formation of a Saskatchewan-Nelson basin investigation Board. This will be announced in a few days but the Minister of Agriculture in Manitoba has made it public so I do not see why we should worry. Following the study of the Nelson River that led to the hydroelectric development of it, we are now going to take a full look at the Saskatchewan-Nelson basin. We hope the investigation will begin in the coming summer. This is a joint effort; the federal government paying 50 per cent of that investigation and the three prairie provinces also paying 50 per cent of the cost of the investigation; that is, one sixth each. No definite amount of money has been assigned to this but it is believed that $5 million or $6 million will be spent on it. It will be essentially an analysis of the supply of water in the prairies.

May I say a few words on pollution which is also a very popular subject at this time. This is again in my view a case of divided jurisdiction. The federal government has something to do with it, the provincial government also has a lot to do with it.

The federal government has a few laws on pollution: One is the Fisheries Act which has a clause against "offensive matters". One is the Navigable Waters Protection Act, which has a clause against "sinkable matters". One is the Criminal Code which talks about "common nuisance". One is the Canada Shipping Act which has a clause against pollution by oil. Some of it is implemented but most of it is quite difficult of implementation all over Canada. If we were to prevent all offensive matter from being thrown into Canadian waters we would have to organize a second R.C.M.P., with quite a number of officers, to patrol all Canadian rivers. Everybody must recognize the fact that these laws exist, but that they are quite difficult of implementation.

The federal government has also other methods of fighting pollution. I would like to mention three. Central Mortgage and Housing, through the provision of loans at a low interest and for a long period of time—50 years, with a write-off of 25 per cent, if construction is completed on time, is doing a lot to prevent pollution of Canadian waters.

You will find also in the income tax a 50 per cent write-off clause for companies purchasing anti-pollution equipment. Up to now I have been unable

to find what has been the effect of this clause in the income tax because apparently the Department of National Revenue does not keep separate figures on this particular use of that particular item of the law.

The winter works program has also contributed something to the prevention of pollution. These are the instruments of the federal government.

• (12.15 p.m.)

The provinces have, in my view, the basic responsibility in this war against pollution. There is a good publication for those of you who would like to read this put out by Canadian Industries Limited on pollution. It is quite a useful publication. When I got interested in this question of pollution I said to myself: This is probably an area where the federal government could do more. This is an area where the federal government should make gifts and grants to companies that would be willing to take part in an antipollution drive. I must say that my views were slightly shaken by a recent meeting that some of my officials and myself had with the Ontario Water Resources Commission. I have here a report by the Ontario Water Resources Commission which is quite optimistic in the sense that they say that they are making tremendous progress in the field of combating municipal waste. I wish I could read from it just a paragraph or two maybe. The latest statistics on sewage works requirements in Ontario indicate that of the 977 municipalities in the province, only 26 with sanitary sewer systems have no treatment and only ten of these have no active plans for the necessary work. I was told also that 80 per cent of waters flowing towards the Great Lakes from Ontario receive secondary treatment, which is 30 per cent better than what the Americans are doing on their side. Another quotation; "Since the Ontario Water Resources Commission was formed in 1957 until the beginning of 1965, the Commission constructed 74 sewage treatment plants. In the same period 37 sewage treatment plants were constructed independently by municipalities and at present 29 sewage treatment plants are under construction." At the end of August, 1965, the Ontario Water Resources Commission was actively developing 27 projects. Altogether, this makes a total of 167.

The Ontario Water Resources Commission is using considerably Central Mortgage and Housing to build these municipal plants. When the municipalities do not have the money for it, the province takes over and builds the plant and then leases it to the different municipalities. The same thing applies in the field of industrial waste. I thought also that grants might be a good idea in this field but the Ontario Water Resources Commission people say that if they keep at it constantly, if they visit the different industries, if they point out to them the importance of proper sewage equipment, if they appeal to their patriotism, they usually get results.

I have here a report from the Ontario Water Resources Commission showing the amount of money that has been spent in Ontario on this question of antipollution equipment. It is really quite extraordinary. I would gladly let those of you who are interested in this aspect of it, read the report.

Mr. FAULKNER: This breakdown of expenditure includes expenditure by private industry?

Mr. PEPIN: Yes, it is essentially expenditure by private industry, and it is divided "oil and chemical processing industry", "primary iron and steel indus-

try", "pulp and paper industry". These are estimates of course. These are not precise figures but they are estimates for seven areas of industry. From 1965 to 1966: $110 million has been spent by industry on antipollution equipment. So, in Ontario anyway, it is felt that in the coming years, quite a few years, pollution by municipalities and industries will be successfully tackled. I do not know about all the provinces. One of my objectives is to meet in the coming months ministers concerned with that in the different provinces. Mind you, each day brings new problems. Today there is not only municipal waste, not only industrial waste, but there is a new type of waste called agricultural waste. A lot of the fertilizers and of the pesticides used by farmers in quite a generous way, is being drained towards the rivers by rains and this is getting to be a major menace.

May I say at this point that the Council of Resources Minister, that federal-provincial organization with headquarters in Montreal—is going to have a big meeting in October and November in Montreal, on pollution. It is going to be tremendous. I have seen the best of papers being prepared and it is certainly going to be an occasion to bring together all the knowledge available on pollution and it will also be an occasion, I think, for all people interested in this to get together, and for the federal government and the provincial governments also to get together and to plan better than they have done in the past.

Some of you may have read the International Joint Commission Interim Report on pollution of Lake Erie, Lake Ontario and the international section of the St. Lawrence River. We talked about it in the House. You are aware of the recommendations; you are aware of the need to pay attention to and to do something constructive with respect to pollution in these lakes. I have already given in the House the program of action for 1966. I have already said that Mines and Technical Surveys, for one, intends to spend a million dollars this year on studies and on the beginning of construction of three ships that will be used for that purpose. I have already said, I think, that the Department of Mines and Technical Surveys proposes to concentrate on studying the bulk of Lake Ontario this coming summer in order to begin to answer the first question of the reference; that is the extent of movement of pollutants across the international boundary. The studies will be directed towards finding how pollutants are distributed in the lake, what happens to them, what proportion flows down the St. Lawrence, what proportion is retained in the lake and in what form. Is there a significant amount settling out on the lake bottom? Will it regenerate back into the lake if the original sources are reduced? Lake Ontario also will be monitored, in so far as standard physical properties are concerned, including phosphate, by the Great Lakes Institute, under contract.

Our chartered vessel will move into Lake Erie for one detail survey. The United States also will be monitoring the lake. Our programs are coordinated. There is a long-term comprehensive study of the Great Lakes also in the making. By 1969-70, we hope to have a complement of 260 to 300 persons studying the four Great Lakes, including Huron and Superior, using a total of three ships. These studies will be directed towards maintaining sufficiently detailed knowledge of what is going on in the lakes to detect slight changes in concentrations which results from the adequacy or inadequacy of the remedial

measures, et cetera. So you see, this question of the pollution of the Great Lakes is one which is given priority status in the Department of Mines and Technical Surveys.

But as the officials here will want me to say, to do a good job—a proper job—will require substantial amounts of money in terms of laboratories and in terms of manpower. We might use this committee as a pressure group in order to get more from Treasury Board if that is accepted as a technique!

I have many other notes but this is the substance of what I have to say this morning. I apologize for being a bit long and I hope that you are going to call on me again. I would like to talk about the other points I mentioned at the beginning and I would like also, if you want to, to talk about the different agencies for which I am responsible. There is a lot to be said, there is a lot of very interesting material for you to get acquainted with in National Energy Board, in Atomic Energy of Canada, in Eldorado, and I would like this committee to be, if I may say so, Mr. Chairman, as active as possible, and I would like, if I can, and I am sure I speak for my officials also, to contribute to a good debate, to a good discussion on these very important questions.

(*Translation*)

There is no doubt that the subject of resources with its social, economic and political aspects, is one of the most interesting in Canada today and I congratulate you on your appointment to this committee.

Mr. Chairman, I thank you.

(*English*)

The CHAIRMAN: I would like to thank you very much, Mr. Minister, for your interesting, detailed and comprehensive statement. The procedure at this time would be to ask the committee to question you. I see that we have now reched 12.30 p.m. I was under the impression that the committee would—I am in the hands of the committee on this point—like to have some questioning now. Obviously we will have an opportunity soon after the recess to have the Minister back again, so I leave it in your hands whether we should have a few questions perhaps at this time. Mr. Faulkner has indicated that he has a question so perhaps he might like to ask it now.

Mr. FAULKNER: Does the committee agree that we should ask questions for a few minutes? First of all, with regard to pollution, I am very encouraged by your remarks. I was aware that something was going on. I did not realize it was going on in the magnitude that you have outlined and I, for one, and I am sure the other member of the committee, are very encouraged. My belief has always been that it is not a question of coordination; it is a question of jurisdiction. I think as Minister if you are able to make some inroads on that problem, then your tenure of office will be tremendously successful because, in my own area, we have tried time and time again to determine or to pinpoint who is responsible for, say, algae? Who can help us deal with algae on the Trent Canal? You speak to the Ontario people and they suggest you speak to the federal people, and so it goes. It is essentially, I think, a problem of jurisdiction.

Your willingness and the willingness of the officials to come back here to discuss this problem, I think is a source of great encouragement to individuals like myself.

I was wondering if it would be at all possible to help members of the committee who are not experts in the field but who are concerned with pollution in general, on this problem of jurisdictional delineation. If there is some way in which the officials of your department could delineate for us where the responsibility lies it would help. It may be the C.I.L. paper does it perfectly but it only deals with the provincial jurisdiction. I know it helps myself a great deal. My question is very brief. It deals with your earlier remarks about our mineral resources, and particularly copper. You mentioned that the pattern of the past has been that this has been an object of export; that our natural mineral resources are being traditionally exported. I think this is a regrettable pattern and I think we are beginning to feel the pinch of it. At the moment we have a shortage of copper. Plants like the Canadian General Electric could do with much more copper than they are presently getting. Can you give us any indication what the future will hold in terms of copper supply? You cannot, I suppose, get into the question of whether in fact our ostensible boycott on exports of copper is effective. I suppose that must be the Minister of Trade and Commerce's jurisdiction but assuming it is effective, what is the pattern of the next five years? Is this very serious shortage going to plague our manufacturing industries that are dependent on copper supply, and continue to plague them?

Mr. PEPIN: I will ask Mr. Drolet to prepare himself for the second part while I talk about the first part of this question. Quite amusingly, yesterday I was speaking to Canadian Engineers in Montebello. Before the meeting, before the dinner, there was a committee on resources and the Chairman of that committee—I hope I am not misquoting him—said something to the effect that this is not a jurisdictional problem; it is essentially an administrative problem. So I think we might compromise and say that it is both a jurisdictional and an administrative problem! On the jurisdictional side, I presume that it must be quite difficult, if the situation is not clear to decide if something is under provincial or federal jurisdiction. An example is navigable waters in the Great Lakes where both the provinces and the federal government have jurisdiction of some kind. I tend to believe, this is well known because I asked you, Mr. Faulkner, in the House one day, how you decide these things and you told me that I was not pertinent! I tend to believe that it has become impossible in 1966 to divide jurisdiction clearly. I tend to feel that we should not even try too hard. On most occasions, we should take for granted that it is not possible, and get working together. This is the position I have taken. It is, mind you, a very practical and very Anglo-Saxon one. The overlapping—

Mr. FAULKNER: I take the French position.

Mr. PEPIN: Indeed you are taking the French position in this instance. I consider the overlapping unavoidable. Maybe back in 1867 it was possible to divide jurisdiction clearly. I do not think it was possible even in 1867; this is why so many jurisdictions are made concurrent in the Canadian constitution! I

do not believe this is possible anyway in 1966, and I think we should learn to live with that fact. We should say "all right, let us not argue any more who is responsible. What can you do? What can I do?"

Mr. FAULKNER: I think if we accept your premise, I agree we should live with it but some of us do not accept that premise. Some of us do believe that jurisdiction can be refined much further than it presently is and particularly in this field, but I think that is the reason I press the point because I—

Mr. PEPIN: But the question I asked you in the House is still there. How do you define jurisdiction in the area of pollution when it has something to do with transportation in the Great Lakes.

Mr. PETERS: Apart from the semantics of the question does the solution not lie within the role of leadership itself. The matter of algae on the Trent Canal can be solved by the federal government without any objection at all from the province of Ontario. If the federal government can get cracking on it nobody will question the jurisdiction. The lack of willingness to get to the problem has resulted from a lack of leadership. Jurisdiction has been used as an excuse. I am quite happy about the Minister's position because it indicates that if leadership is provided, and he is willing to provide that leadership, we will get something done about some of these problems that will always be kicked around in the jurisdictional sense.

Mr. PEPIN: I agree with what has been said but I think that there are some types of work for which the federal government is more qualified than the provinces are. I feel, for example that the federal government should not get involved in too small projects. The federal government is the big government in Canada and consequently it should get involved in big projects, for example, anti-pollution on the Great Lakes. There is a clear federal jurisdiction here; it is a big problem. This is the type of difficulty the federal government should attack.

Mr. FAULKNER: Does that mean that algae on the Trent Canal in fact is not—

Mr. PEPIN: That means that the building of a wall on the St. Francis River in Drummondville is the kind of works that suits the provincial government better than it suits the federal government.

Mr. FAULKNER: What about algae on the Trent Canal?

Mr. PEPIN: I wish there was something in my own constituency to compare your Trent Canal with!

The CHAIRMAN: I hope it is appropriate to make this intervention at this time. I noticed the question that Mr. Faulkner asked on copper. I may just throw this out now to the committee as a procedure that has been followed in other committees. I know we have not adopted it in this committee yet and we may not in fact adopt it. I would bring this to the attention of the Steering Committee. In the committee on Fisheries, when they had questions perhaps of that nature that require some technical answer the procedure they adopted was that the questioner give notice of such a question—and this is in the discretion of

the questioner; I mean he does not have to do this even when the procedure is adopted—that the question be perhaps written and passed along to the officials so that at the appropriate time they would prepare an answer. In addition to an answer which may be in a summary form, if they had any additional information that might be helpful to the committee on the point in the form of a reference, bibliographies, or something like that, they passed it along. Even if that procedure were adopted, of course it would not preempt the right of the member to bring up that kind of a question when he wanted to. I just mentioned that now because that question appeared to me to be of a more technical nature and perhaps we could deal with it at the next meeting unless you want to give us an answer now.

Mr. DROLET: I certainly cannot give a complete answer but one that is good enough. As you know, we in Canada are a big producer of copper, and when you are talking about the problem of copper in these days, maybe we could subdivide it. We could talk about the ore or the concentrate or the finished product. Also there is the problem of scrap in Canada. Well, recently, as you have seen in recent months, the price of copper has gone up to prices that are extraordinary. When it was 30 cents a pound, not so long ago, it went up to 35, 48 and some producers in Canada can even sell material, copper metal on the L.M.E., London Metal Exchange market, for 80 cents a pound. So a Canadian producer here is very tempted to ship his copper material to England, for instance, or to other markets that pay 80 cents a pound; and that would prevent the fabricators in Canada here from being sure of some domestic supply so we, the Department of Mines and Technical Surveys and the people of our Minerals Economic Section, have become highly interested because it is a metal, and we are highly interested because it is trade in metals but we go to the people of the Department of Trade and Commerce and also to the people of the Department of Industry. They have taken the initiative in this field in order to stop this haemorrhagia of ore, copper, scrap, copper metals, even concentrate going offshore to any country of the world. We are short here of our own supplies, and we have left open the border between Canada and the United States for very good simple reasons, but we have stopped some exports of copper material outside Canada to other countries. In other words, they need a permit, so we look after these exports. The permits are issued now but we have the privilege one day to stop that permit if we see that that we do not have enough copper. There is a big problem in scrap because you can make a lot of money, you can even ship pure metal to the United States and send it back here for a higher price because the little fabricator who cannot get the metal from a big company like International Nickel, like Hudson Bay Mining or Noranda Mines, is willing to pay almost any price for the scrap that he can remelt in order to make rods, wires, bars. We are looking after this question very well.

Mr. FAULKNER: Could I ask a supplementary question on this. Could you give me just a general figure of the amount of ore concentrates and scrap that is being exported at this moment. Just a general figure. I will not hold you to it but is it in the 30 per cent range, ten per cent range or 50 per cent range?

Mr. DROLET: I would not know. Maybe Mr. Toombes could give us that.

Mr. TOOMBES: Thirty to 40 per cent.

Mr. DROLET: Thirty to forty.

Mr. TOOMBES: Fairly heavy on concentrates at the moment, but there are plans which involve new smelter construction in Northern Ontario and possibly British Columbia, and this will lower the amount of concentrates going out of the country within a year or so.

Mr. FAULKNER: This is within the context of the fact that present Canadian manufacturing industries such as C.G.E. are experiencing a chronic shortage. This seems to me to be a dangerous situation if we are exporting at that level while C.G.E. is having to in Peterborough has provided a works shutdown because it cannot get its copper supply.

Mr. DROLET: That is right. And those measures were taken in order to ensure the supply of these metals. It will be effective for a year.

Mr. SALTSMAN: It seems that Canada is in a very precarious position, we are one of the major producers of copper, yet we can neither find enough copper nor copper at the right place for our own industry. I think this is something that has concerned all Canadians for a long time. The question I would like to ask of the Minister is whether he would give any consideration to a copper marketing board to ensure that there are adequate supplies of copper at the right price for our industries here in Canada. This is one of our resources. It seems to me that we are relying completely on market forces to determine the extent to which Canada will have copper. It is a valuable natural asset and yet we are throwing it on the world's market and dependent on the world's market price and demand to look after our own industries.

Mr. PEPIN: Is your intention to have boards like that for every mineral in Canada.

Mr. SALTSMAN: I think it might be very advisable. I think you might consider it for purposes of that type, to ensure that we get the benefit of our natural resources.

Mr. PEPIN: Mr. Faulkner is gone now but would the federal government have jurisdiction to establish boards of that kind in every instance?

Mr. SALTSMAN: Would it have jurisdiction to establish a wheat board?

Mr. PETERS: Mr. Chairman, I would suggest that probably the government has this jurisdiction because we use it in the stockpiling of things like cobalt and uranium and of several other minerals, and I would think the federal government obviously has this jurisdiction. I would suggest that if we establish this board it should be a mineral board rather than a commodity board, so that it would take into considerations all the export commodities of a mineral nature.

Mr. PEPIN: I do not want to press the point, but there is a bit of a difference there between uranium and copper. Uranium is considered to be a strategic

material, and the federal government has jurisdiction over atomic energy and you could consider that to be a special type of mineral because of its strategic—

Mr. Saltsman: Without trying to get into an argument—

Mr. Pepin: No—

Mr. Saltsman: It is strategic under different circumstances. I would like to come back to the question regarding pollution, and the number of statements that have been made. One that it is a jurisdictional problem; the other that it is an administrative problem. I would like to throw a third one in that it is really an economic problem. It seems to me, the chief difficulty, from my experience, has been the reluctance of people to really enforce antipollution measures, and a reluctance thence from their desire to attract industry. They are using the crassest economic motives to avoid and assess the correction of pollution problems in this sense that there are municipalities in Canada, there are provinces in Canada who, in their efforts to attract industry, in effect, say, "look, we are not going to bother you about pollution; you can come in here and do anything you please". We are interested in getting an industry and we have the situation where industry is threatened, and says: "Well, look, if you insist that we do this sort of thing, we will go elsewhere where they are not going to bother us with this expense". I think from this it would seem obvious that we have to have some kind of law which is applicable right across the country and which is enforceable. I really do not know how this can be done beyond suggesting to the Minister that he give it some serious consideration, and avoid this difficulty. We see this with industry generally. There is the desire of all municipalities to become industrialized, to find a basis for taxation. This leads them into ignoring the problems of pollution. I think ultimately pollution becomes a national problem, because it may originate in some town in northern Quebec or northern Ontario and then enters the St. Lawrence one way or another. When this happens we have to cope with the affair.

• (12.45 p.m.)

Mr. Pepin: I have a lot to learn on these matters and I can only use examples from Ontario because I had a long conversation with the Ontario Minister and his officials. As I said in my remarks, Ontario is pressing the need for industries to have anti-pollution equipment, and officials feel they are progressing extremely well. I asked them have you had industries leave Ontario, refusing to come to Ontario, because of these impositions that you place on them, and they said "no".

Mr. Saltsman: Well, I do not know whether the figures in the province's report indicating the number of municipalities refer to the smaller communities or whether they refer to the small areas which perhaps, do not come under that category. I do know there is a shift of certain industries which have high level pollution problems. It would require the expenditure of considerable money to cope with these problems and to move into what are essentially rural areas where, perhaps, they escape the jurisdiction of the Ontario Water Resources Board and other agencies, and they do not receive quite the attention that perhaps they should receive. Nevertheless, the pollution is just as real and just as dangerous when carried by a small stream into a larger stream. I think

perhaps the province is minimizing the problem of the shifting of industry, for a number of reasons. I do know there are industries that can shift and if one province offers less rigid control on pollution than another—and pollution is a major factor in their operation—there is going to be a tendency for this kind of shifting to take place. I put this forward as an argument in support of a national policy and a national administration of some kind, whether it be brought into being by agreement with the provinces or in some other way.

Mr. PEPIN: This would be only one of many factors. Cost of labour would be another factor, and the closeness of markets would be another. So when industry makes a decision as to where it should go, whether it be Ontario, Manitoba, or elsewhere this would be one of many factors which could affect their decision. I think it is an important one but we must not give it more importance than it deserves to have. I agree with the need for provincial legislation which should be as similar as possible in all provinces. The federal government certainly can urge this.

Mr. SALTSMAN: From the point of legislation, I think that is important.
tant.

The CHAIRMAN: Gentlemen I have a number of other people who have indicated they would like to ask questions. It is now 10 minutes to 1. Is it your wish to adjourn now to the call of the Chair and pursue this when we have more time?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Thank you very much Mr. Minister. We will adjourn to the call of the Chair.

Mr. MCNULTY: Do you have any idea when we will be meeting again?

The CHAIRMAN: No, but it will be after the Easter recess.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. RICHARD CASHIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

THURSDAY, MAY 26, 1966

Main Estimates (1966-67) of the
Department of Mines and Technical Surveys

WITNESSES:

From the Department of Mines and Technical Surveys: Mr. J. P. Drolet, Dr. John Convey, Dr. E. F. Roots, Mr. R. B. Code.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

23953—1

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Richard J. Cashin

Vice-Chairman: Mr. Ovide Laflamme

and

Mr. Addison,
Mr. Andras,
Mr. Beaulieu,
Mr. Bower,
Mr. Choquette,
Mr. Code,
Mr. Davis,
Mr. Faulkner,
Mr. Forest,
Mr. Fulton,
[1]Mr. Goyer,
Mr. Grafftey,
Mr. Hales,
Mr. Hopkins,
Mr. Latulippe,
Mr. McCutcheon,
Mr. McNulty,
Mr. Peters,
Mr. Saltsman,
Mr. Scott (*Victoria* (Ont.)),
[2]Mr. Tremblay,
Mr. Wahn—24.

(Quorum 13)

R. V. VIRR
Clerk of the Committee.

[1] Mr. O'Keefe replaced Mr. Goyer on May 25, 1966.
[2] Mr. Reid replaced Mr. Tremblay on May 25, 1966.

ORDER OF REFERENCE

WEDNESDAY, May 25, 1966.

Ordered,—That the names of Messrs. Reid and O'Keefe be substituted for those of Messrs. Tremblay and Goyer on the Standing Committee on Industry, Research and Energy Development.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

23953—1½

MINUTES OF PROCEEDINGS

THURSDAY, April 28, 1966.

The Standing Committee on Industry, Research and Energy Development having been duly called to meet at 9.30 o'clock a.m., the following members were present: Messrs. Bower, Cashin, Davis, Goyer, Hales, Hopkins, Peters, Saltsman (8).

In attendance: From the Department of Mines and Technical Surveys: Hon. J.-L. Pepin, Minister; Dr. J. M. Harrison, Acting Deputy Minister; Mr. K. M. Pack, Director of Administration.

There being no quorum, the Chairman adjourned the meeting at 10.05 o'clock a.m. to the call of the Chair.

R. V. Virr,
Clerk of the Committee.

THURSDAY, May 26, 1966.
(3)

The Standing Committee on Industry, Research and Energy Development met this day at 9.40 o'clock a.m., the Chairman, Mr. Cashin, presiding.

Members present: Messrs. Bower, Cashin, Choquette, Code, Davis, Faulkner, Forest, Hales, Hopkins, Laflamme, McNulty, O'Keefe, Peters, Reid, Saltsman, Scott (*Victoria, Ont.*), Wahn (17).

In attendance: From the Department of Mines and Technical Surveys: Mr. S. G. Gamble, Dr. Y. O. Fortier, Dr. John Convey, Dr. E. F. Roots, Mr. R. B. Code.

The Committee proceeded to examine the estimates of the Department of Mines and Technical Surveys.

Item 20, Field and Air Surveys, Mapping and Aeronautical Charting was carried.

Item 35, Geological Research Administration Operation and Maintenance, was carried.

Item 40, Geological Research Construction or acquisition of Buildings, Works, Land and Equipment, was carried.

Item 45, Mining and Metallurgical Investigations and Research—Administration Operation and Maintenance, was carried.

Item 50, Construction or acquisition of Buildings, Works, Land and Equipment respecting Mining and Metallurgical Research, was carried.

The Chairman then presented the first report of the sub-committee on agenda and Procedure as follows:

"Your subcommittee recommends that the following procedure be adopted when considering the estimates of the Department of Mines and Technical Surveys:

(a) The first item (*Departmental administration*) be called, and that discussion and questions of a general nature be permitted, but questions that clearly relate to specific items be postponed until the appropriate item has been reached;

(b) When the general discussion is completed, the fist item be allowed to stand for further consideration and the Committee proceed to consider and approve the subsequent items;

(c) When all of the items have been approved, except the first item, the Committee will return to further consideration of that item, at which time all unanswered questions may be dealt with and unfinished business completed;

(d) The first item of the estimates will then be approved, or otherwise dealt with, and the Committee will proceed to prepare its Report to the House.

Your subcommittee also recommends that, in respect to the Minister's opening statement, item (1) be permitted to stand and the Committee proceed to consider item 20.

Your subcommittee further recommends that permission be sought to reduce its quorum from 13 to 9 members.

Moved by Mr. Laflamme, seconded by Mr. Reid, that the First Report of the Subcommittee on Agenda and Procedure be concurred in.

Carried on division.

At 11.00 o'clock a.m., the Committee adjourned to the call of the Chair.

R. V. VIRR,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

THURSDAY, May 26, 1966.

● (9.32 a.m.)

The CHAIRMAN: Gentlemen, I am glad to see you all here today. The order of business for today is, first of all we shall be examining the estimates of the Department of Mines and Technical Surveys. You will recall at our last meeting we heard from the Minister and had some questioning, after which it was agreed that we would resume and study the estimates, vote by vote, and that Item No. 1 would be stood over. And so today we have with us the officials of the Department of Mines and Technical Surveys and Mr. Davis, who is also a member of the committee, will be sitting up here with them. If it is in order, I shall call the first of the votes that we have prepared for today. They will not necessarily come up in the order in which they appear in the estimates because the department was of the view that a number of these were related, and therefore they would be taken before the committee together. Consequently, we are not following the votes directly in order as they appear.

The first vote is Vote No. 20, which concerns Mr. Gamble who is director of the survey and mapping branch. Are ther any questions on this vote?

Vote No. 20 carried.

GEOLOGICAL RESEARCH

35. Administration, Operation and Maintenance including the expenses of the National Advisory Committee on Research in Geological Sciences, Canada's share of the cost of the Geological Liaison Office, British Commonwealth Scientific Conference, London, England. Canada's fee for membership in the International Union of Geological Sciences and $150,000 for grants in aid of Geological Research in Canadian Universities $6,927,000.

The CHAIRMAN: The next one is Vote No. 35, which is on Geological Research, and we have with us the director, Dr. Fortier. Are there any questions on Vote No. 35?

Vote No. 35 carried.

40. Construction or Acquisition of Buildings, Works, Land and Equipment $2,198,000.

The CHAIRMAN: The next vote is Vote No. 40, which also deals with the matter of geological research. Are there any questions on Vote No. 40?

Mr. O'KEEFE: Mr. Chairman, I would like to ask a question under Vote No. 40. I notice an increase of $1,444,000 which must be for construction or addition to a building. Perhaps we could be told what this is for, where the building is, and so on.

The CHAIRMAN: Dr. Fortier, would you mind coming up to the front, because we need you to speak into the microphone. We do not have shorthand reporters here with us, and so therefore I would remind all hon. members to speak clearly and distinctly into the microphone.

Dr. Y. O. FORTIER (*Director, Geological Survey of Canada Branch*): This added money is for the construction of a laboratory building in Calgary, in order to build an establishment for scientists in western Canada. This building was started last year.

Mr. CODE: Have the people in the industry been consulted as to its function and type?

Mr. FORTIER: Indeed. In a large way, it is in answer to their concern that the decision was taken to place an establishment there.

Mr. CODE: Thank you, Mr. Chairman.

The CHAIRMAN: Are there any further questions on Vote No 40?

Mr. REID: I did not hear what type of a laboratory it was, Doctor.

Mr. FORTIER: The group of scientists to be located there will be people who are concerned with the geology of petroleum and the geology of the sedimentary basin of western Canada.

The CHAIRMAN: Are there any further questions on Vote No. 40?

Vote No. 40 carried.

MINING AND METALLURGICAL INVESTIGATIONS AND RESEARCH

45. Administration, Operation and Maintenance including the expenses of the National Advisory Committee on Research in Mining and Mineral Proceeding, Canada's share of the cost of the Commonwealth Committee on Mineral Processing and $100,000 for grants in aid of Mining and Mineral Processing Research in Canadian Universities (Details, page 241) $5,640,700.

The CHAIRMAN: Now we come to Vote No. 45, which deals with Mining and Metallurgical Investigations and Research, and we have Dr. John Convey, the director of the mines branch, with us.

Mr. O'KEEFE: Mr. Chairman, my question might not be in order and if it is not, please rule me out. However, under Vote No. 45, which deals with mining, investigations and research—I am referring to Belle Isle in Newfoundland where some investigation has been done by your department—I know that under the National Development Board some $300,000 was spent to investigate the upgrading of this particular kind of ore. I was wondering what had been done by your department recently?

Dr. JOHN CONVEY (*Director, Mines Branch*): We are associated with that research work, but the Department of Industry, for the most part, put up the money. We provided the technical assistance, and part of the work was done in the United States; some of it was done in our own laboratory. In addition, we did work right out in Belle Isle.

Mr. O'KEEFE: And what were the conclusions?

Mr. CONVEY: The conclusions were that, unfortunately, competition by better grade ores has taken the market away from them, and the cost of bringing the Wabana ore into a category which could compete would be too uneconomical at the present time. There is a possibility that in the future, when the steel industry has to go to leaner and leaner ore, that the Belle Island mine would be opened again. It is a good resource.

Mr. O'KEEFE: Thank you very much.

Mr. SALTSMAN: Mr. Chairman, I wonder if I might ask Dr Convey why there has been a reduction of $200,000 on net salaries and wages? Are you having trouble in getting properly qualified people in your department? Are you losing them because you are not matching the wage scales of universities and private industry?

Mr. CONVEY: I think one of the main reasons for that reduction is that part of the staff of the mines branch went over into the water resources group. However, I could enlarge on your question, and that is that the mines branch staff today, as compared to 1959, shows a net increase of one. We were hurt by the freeze which came about a few years ago, and we have never managed to recoup the losses which we had at that time.

On the other hand, with regard to the hiring of staff we are in quite a competitive field at the present time with industry and universities. There is an attempt on the part of the Civil Service Commission to upgrade the salaries, and so on. But although we can compete at the lower echelons, we are losing staff in the higher echelons every year.

Mr. REID: Do you take graduate students in for summer training?

Mr. CONVEY: Yes, we take in a total of 39 students, of which about 8 are post-graduates, and we have tried to increase that number without success. We just have not been able to obtain the positions.

Mr. REID: There is a general shortage of mining engineers and technical people going into this mining industry?

Mr. CONVEY: Yes, and in order to encourage students to go into mining engineering, so that the mining profession will give a better image to students who are going into university, we have initiated a grant of $100,000 to universities in the fields of mining and mineral processing.

Mr. REID: Where is this money going; what universities are getting it?

Mr. CONVEY: There is a total of about 10 universities sharing in it.

Mr. REID: This has been doubled from $50,000 last year. That is not very much, really, if you break it down on a pro rata basis; that is $10,000 per university.

Mr. CONVEY: The answer to that is that we had requests for just under $400,000 worth of grants, and we only had $100,000 to give away.

Mr. REID: Do you anticipate increasing this amount next year?

Mr. CONVEY: Well, I would like to see the industry take up some of the slack, which they are doing in one or two areas.

Mr. REID: What areas are these?

Mr. CONVEY: Their support of McGill, for instance, has been very, very great.

Mr. REID: Queens?

Mr. CONVEY: Queens, to a certain extent.

Mr. REID: Toronto?

Mr. CONVEY: Not so much Toronto, in the field of mining.

Mr. REID: Thank you, Mr. Chairman.

The CHAIRMAN: Mr. Saltsman, you had a question.

Mr. SALTSMAN: Mr. Chairman, I hope I am in order in asking this question on this particular vote. The question I would like to ask is whether any consideration has ever been given to the government carrying out its own mineral exploration and developing ore bodies, or finding ore bodies, and then licensing these ore bodies, or licensing the production of these ore bodies rather than leaving the development and exploration to the normal sources.

Mr. CONVEY: A few years ago we did consider more or less duplicating the type of effort which the United States Bureau of Mines puts into their work; in other words, drilling operations. We have never considered a complete exploration program. In respect of the exploration area, we have left that completely to our geological surveys.

Mr. SALTSMAN: Do you have any opinions which you would care to voice in this particular field, whether we perhaps should be considering this type of program?

Mr. CONVEY: Not at the present time. Our staff is too small; we could not meet the requirements of actually going out and bringing a property into more or less a condition where the mining companies could take over.

Mr. SALTSMAN: If that staff were made available to you, would this be a practical proposition?

Mr. CONVEY: I doubt it. If we had more staff we could be of greater service to the industry in the performance of some of the research work which we are now doing. We are attempting to develop the know-how by means of which we can process Canadian ores. We do assist most mines in bringing their properties into being, but we could use many, many more hands if they were available in this particular area, rather than going into the complete exploration work.

Mr. SALTSMAN: Concerning the question of availability, is this a matter of giving you the establishment and of providing the funds for the staff, or is this just a question of shortage of staff, or the inability to hire staff of the calibre which you require?

Mr. CONVEY: For the most part, it is a question of making the money available.

The CHAIRMAN: Are there any more questions?

Mr. SALTSMAN: I was just wondering whether anybody else amongst the experts would care to comment on the questions I have asked.

Mr. DROLET: There is a comment I would like to make about the question that you just asked in regard to the possibility of the federal government organizing an exploration program.

There might be some criticism, at first, by the various provinces of Canada, in this regard, because you are talking about exploration with a view to discovering mineral deposits. What we do now is the geological survey of Canada in order to prepare maps that will show favourable areas for prospecting. This we do, up to one stage. Now, you want to push it a little bit further, to have prospectors in the field with the necessary funds, find minerals and find the mine, and then perhaps exploit it on behalf of the Government of Canada. I believe, because the mineral resources being exclusively to the provinces in Canada, you may encounter some problems in this regard. Even in the province of Quebec, as you know, Soquem has just been formed as a special company—not directly a crown company, but a special company—with funds supplied by the Government of Canada; that is, the shares of the company are bought every year by the government of Quebec. There is no objection to this in the various provinces because, as it was said when it was announced by Premier Lesage, the deposits which may be found by these people would not necessarily have been found by anyone else. We are not stealing from private industry; it just means that more exploration is going on. In that light, it is all right. However, I think the money that the federal government could invest in an exploration company would be better placed in the hands of the geological survey of Canada who prepare the basic work maps for the private companies. This also costs a great deal of money according to the statistics supplied by the industry. It costs about $25 million to find 1.2 mines, that is a little over one mine in Canada. When we talk about a mine, we mean a mine that comes into production and makes a profit. This is what it costs in Canada. I do not know if the taxpayers would like their money to be placed in such a risky business.

• (10.00 a.m.)

Mr. SALTSMAN: My interest in asking this question is to help the policy that seems to have met favour almost everywhere of encouraging area development. Now, if you leave it to the normal market forces, it does not necessarily mean that they will open mines in areas which might be of greatest benefit to certain regions. On the other hand, if the government goes into exploration, they can establish priority for exploration purposes. There are some areas in Canada that need development to a greater extent than other areas, and it simply means that we could concentrate in those areas. So far as the cost is concerned, certainly the Canadian taxpayer bears the cost one way or the other. The cost will be covered by either private enterprise or government enterprise.

I was interested with regard to whether this might be practical from a federal-provincial point of view. As long as we do not run into real conflict in terms of surveys, this is merely an extension; there is no suggestion on my part

that the federal government should reap the rewards of the mines that are found. I think these are still the resources of the province, and would have to be exploited and developed by the province. Thank you very much for your time.

Mr. PETERS: Mr. Chairman, may I ask a supplementary question? While I am interested in this provincial exploration of resources, this does not cover the major portion of the mining areas yet to be developed which occure in the Arctic, the polar regions, the Northwest Territories, and all that area being divided up now. It would be my opinion that probably it would not be wise to develop some of this area beyond the survey of what resource was in that area. It might be in the interest of Canada, in some instances, to hold it until we have some practical use for it, rather than just having it developed and by-passed to other nations as an exported raw material product. What was behind the government's thinking when they decided to allow the type of exploitation—and they call it exploitation; they do not call it exploration—of many of those areas? What was the thinking of the Government in this regard where there is no provincial autonomy involved, in allowing a set number of companies to bid on the right to exploit very large areas, if there was anything there?

Mr. DROLET: Well, as far as our department is concerned in the northern part of Canada, we do a lot of geological work, surveys, polar continental shelf projects, and this and that. When you come to exploitation, you have to talk to the Department of Northern Affairs and National Resources, who are the people responsible for the areas north of the 60th parallel, and the policies for this part of Canada are in their hands.

Mr. PETERS: Do you license them or do they—

Mr. DROLET: Yes, permits are issued, but not by the Department of Mines and Technical Surveys. The Department of Northern Affairs and National Resources give special permits, and they also give permits in areas outside Canada, like the offshore mineral rights; they are the ones responsible for these permits.

Mr. PETERS: If you asked for a permit, would they not give it to the Department of Mines?

Mr. DROLET: If the Department of Mines asked for a permit, I suppose they would get one.

Mr. PETERS: But you never have?

Mr. DROLET: No, not that I know of. Perhaps Dr. Fortier, or Dr. Roots, who is in charge of Polar Continental Shelf, would have more details to give you on that.

Mr. PETERS: Mr. Chairman, it raises a real interesting point which I had never considered very seriously. One of my nephews was drilling on Little Cornwallis Island last year, and I was impressed with the resource they have in that area, the vastness of it, which we are not going to use, obviously, right now. It is on a very short shipping lane to a number of major industrial countries that could use this resource.

Has the department never thought of the necessity of maintaining a certain control over this resource to insure that Canada would get some benefit out of it rather than just have it exploited?

Mr. DROLET: In other words, what you are asking me is if anybody in our Department has worked on a policy with regard to mineral deposits of any kind, or oil in the Northwest Territories, or the far north, in the Arctic; if a law has been passed saying that these will not be exploited for the next 50 years, or something like that. My answer is not to my knowledge, sir.

Mr. PETERS: There has been no work done on this at all?

Mr. DROLET: No, sir.

The CHAIRMAN: Do you have a comment on this, Dr. Fortier?

Mr. FORTIER: As far as the case of the Little Cornwallis Island is concerned, the major companies have developed an interest in the matter; it is in good hands. The same thing applies to the Mary River iron deposits on Baffin Island.

However, there is another problem to this question of state intervention. I can raise it here only as a problem for serious consideration, I suppose. It has come to my attention lately that we have missed exploration activities in Canada by fine companies that are largely government-owned. I might cite some French or British governmental interests that are active in this country. These are what we might call crown companies. This is a topic for further study, and I am not ready to discuss it at the moment.

Mr. PETERS: Mr. Chairman, the reason I mentioned Little Cornwallis Island was because it is almost pure zinc. It goes a long piece down, and you can pick it up on the shore. Obviously this zinc will go to Japan or some other countries because we are not in a position to use it, and as long as the world market is sufficient to warrant the commercial aspects of it, this will be developed. It seems to me that the Department of Mines should have made some surveys concerning the question whether it is in Canada's interest to develop these resources at the present time. It does not matter who owns the company. Hollinger Mines in Labrador exploited the area and shipped the iron out just the same as a Canadian company. There is no question about the ownership. It is just whether it is in the interest of Canada to allow the stockpiling of all of our mineral resources in other countries; whereas we might as well stockpile them in the ground now that we know where the minerals are.

Mr. DROLET: Well, sir, you are posing a big question, namely should we export from Canada raw ore concentrates, or only finished products? We could get into a long discussion, on this subject but let us take one specific example. Recently in Canada we found a big deposit of lead and zinc in the Pine Point area of the Northwest Territories. A special export permit was asked for by the company who is exploiting this deposit; they require permits from Canada to export more to Japan. Then we wondered whether this would be the right time to build a new smelter in Pine Point area, or whether we should enlarge another smelter somewhere in northern B.C. We study these questions, and we have a division in our Department of Mineral Resources Branch which is staffed

by mineral economists, and we advise the government on these matters. We are not a policy-making department, at least up to now we were not. We hope to have a little more responsibility in the new organization of our department.

We advise the Government of Canada in respect of what they should do, and, like every Canadian, we would like to ship only finished products because they bring in more revenue. However, in the case of the lead and zinc department, we are not the only ones now in the world with a lot of metals, a lot of minerals. Australia, the United States, and many underdeveloped countries, emerging countries, if you wish, have a lot of these resources and foreign capital is going there also. Canadian and American capital is also going to these faraway countries. You have to look at this on a world basis. If we want to earn the exchange that we need, we have to ship part of our resources as sometimes raw or semi-finished products to wherever the market is. When I say semi-finished I mean, for instance, that we do not ship as much raw material, but we do ship a lot of concentrates now; we work a little bit. We are certainly trying to ship more and more partly-finished or finished products, but we cannot do this all the time.

So in the case of this project at Pine Point, a permit was granted to the company to export raw material now, not only to Japan, but also to the United States. However, we said, "Just a minute, we are going to look at it more closely". An engineering consulting firm by the name of Dechter was granted a contract to prepare an economic report on the feasibility of a smelter in Pine Point. This contract was granted by the Department of Northern Affairs and National Resources, because it is their responsibility in view of the fact that it is north of the 60th parallel.

If that report shows us that we really should and can, economically, build a smelter there, I suppose we will not grant a permit for "X" more years, but we will try to force the company to establish such an industry there.

Mr. O'Keefe: I wonder if any of the officials here could compare the amount spent to investigate, stabilize and upgrade the coal industry, particularly in the Atlantic province, as compared to the amount spent to upgrade and stabilize the iron industry.

Mr. Convey: I think the coal board group could give you a better answer, but offhand I can tell you that the amount spent with respect to the coal industry at the present time does not match what is spent with respect to the development of the iron ore industry.

Mr. O'Keefe: Do you mean there is more spent to investigate the iron industry than there is with respect to coal?

Mr. Convey: Oh, there is today, yes.

Mr. O'Keefe: Yet between 1959, I believe, and 1964 there was $159 million spent to upgrade the ore industry in the maritimes?

Mr. Convey: Yes.

Mr. O'KEEFE: Surely that has not been spent, to my knowledge, to upgrade or stabilize the iron industry.

Mr. CONVEY: During the past few years there has not been very much spent with respect to the technical improvement of the coal industry. There has been quite a lot spent on the subventions and other areas to try to keep them in existence. There has been mechanization of the mines to quite an extent.

Mr. O'KEEFE: Has any consideration been given for instance, to keeping Bell Island in existence?

Mr. CONVEY: Oh, yes.

Mr. O'KEEFE: But it has not succeeded as yet?

Mr. CONVEY: No, it has not succeeded. The one big difference with respect to Bell Island and the coal industry is that in Bell Island you are dealing with the deposit, but it has just run out of favour; it is no longer wanted.

Mr. O'KEEFE: But surely so has coal.

Mr. CONVEY: Well, coal still has a us today. As to the high phosphorus iron ore of Bell Island, the uses on the market did exist in Europe, but in their steel-making practices they have got away from the old types of open-hearth furnances, and they are no longer wanting the type of ore which they received previously from Bell Island.

Mr. O'KEEFE: So you are suggesting that no matter how much is spent, it will make very little difference?

Mr. CONVEY: I would not say that.

Mr. O'KEEFE: The point I am trying to make is the matter of money.

Mr. CONVEY: No, not at the present time; it is a matter of markets.

Mr. O'KEEFE: Thank you.

The CHAIRMAN: Mr. Saltsman, you were next on my list.

Mr. SALTSMAN: Yes. I wanted to ask Mr. Convey a question regarding research. Could you tell me in how many university centres research is carried out?

Mr. SALTSMAN: Yes. I wanted to ask Mr. Convey a question regarding research. Could you tell me in how many university centres mining research is carried out?

Mr. CONVEY: In Canada at the present time there is mining research in the University of British Columbia, the University of Alberta, Queens, McGill, Laval, and the Nova Scotia Tech.

Mr. SALTSMAN: The reason I ask this question is that there have been suggestions from time to time that we might get better use of our research

dollars if we concentrated our activities in fewer centres. Now, this applies to all types of research, not only to mining research. It is suggested that there should be a greater concentration of effort in some universities to enable them to specialize in these aspects and perhaps, make fuller use of facilities, rather than dispersing our allocations across the country. Would you care to comment on that?

Mr. CONVEY: It is a trend today whereby in our universities they are beginning to centre in on one or two universities. For instance, the mining industry is supporting McGill to quite an extent at the present time; they are quite generous in their help towards McGill. They are also assisting Queens; Toronto is sort of moving out of the scene. In the west there is a re-growth, as it were, in the University of British Columbia. So, eventually, there could be two main centres; one in the east between McGill, probably Laval, and Queens, and one in the west. There is also an effort being made to get at least one of these universities to specialize in a particular area of research. For instance, we would like to see one of them produce specialists in what we call rock mechanics; that is, a study of the stability of mine workings.

• (10.15 a.m.)

Mr. HALES: I have a supplementary to Mr. Saltsman's question. I notice you have $100,000 for grants in aid of mining and mineral processing and Canadian universities, and this is an increase of $50,000 from last year. To what universities are these grants being given? Are they equally distributed, or is there a greater amount to any one than another?

Mr. CONVEY: Well, in the first place they are based upon the programs that the universities present as to what they could use the money for. I did mention that they did request something close to $400,000. The distribution of those funds has been more or less $60,000 to about four universities in actual mining studies. There is another $18,000 which is going into three universities in the study of dust and—

Mr. HALES: Would you mind naming these universities?

Mr. CONVEY: Yes. There is the University of British Columbia, Alberta, Queens, McGill, and Laval. Then, of the other $23,000 some is going to Saskatchewan. I should mention that Waterloo also has part of it. The mineral processing again is distributed between British Columbia, Saskatchewan, McMaster, Toronto, and, I think, Laval.

Mr. SALTSMAN: Mr. Chairman, if I might continue the supplementary to Mr. Hales which is supplementary to mine, who made the decision for this type of allocation?

Mr. CONVEY: We have a committee made up from universities, industry and ourselves.

Mr. SALTSMAN: And that decision was made—?

Mr. CONVEY: They come forward with recommendations on which the funds should be sent.

Mr. SALTSMAN: How did they decide; on what basis did they decide that this allocation should take place, on a pro rata basis, or did they have some logical arguments for the division of these research funds?

Mr. CONVEY: I think the most important criterion in it is the ability of the individual professor who is requesting the fund, and his experience in the field. Then the program that he puts up is evaluated very, very carefully. On the other hand, we have to try and allocate the funds to as many universities as we think would be worth while, because I can tell you one university could have taken all the funds very easily. It is a difficult solution to come to, but we try to treat everyone equally.

Mr. SALTSMAN: Mr. Convey, as you know, the House has passed a measure that would set up a science council and secretariat that would, I presume, be responsible for the allocation of research money. If you were called before the science council and had to make a recommendation as to the disposal of funds, would you recommend that the practice that has prevailed in the past be continued, or would you make other recommendations?

Mr. CONVEY: I think I would go along with the practice which we have used over the past few years. It dovetails with the technique used by the National Research Council and other granting organizations. But in addition we have definitely brought the industry into the solution finding technique.

Mr. HALES: In view of the new research council that has been established, do you not feel that in future you would have to go through this council so that there would be some co-ordination of research money being spent?

Mr. CONVEY: Oh, yes, what we are expecting is that through the research council we, for the first time, are going to get a co-ordination of all the federal grants which are being given out, and, in this way, they will be able to assess, for instance, whether we should have more, or less, funds to grant to universities. But I do believe that through this council, for the first time, we will get good direction and co-ordination.

Mr. HALES: In the past, have you ever found it necessary to refuse or continue a grant because the university did not produce results?

Mr. CONVEY: Now, I want my answer to apply just in so far as the mines branch is concerned. Yes, there have been times where in we have simply had to indicate to the professor concerned that his program was just not good enough.

Mr. PETERS: Mr. Chairman, could I ask a supplementary question? The mining industry has been very concerned with the fact that most of the universities dropped their mining degree courses last year. What effect has this had on the program that you are pursuing?

Mr. CONVEY: I would not agree that most of the universities have dropped their mining programs as such.

Mr. PETERS: No, but their degree courses.

Mr. CONVEY: No.

Mr. PETERS: Is it not a fact that there is only one university continuing a degree course in mining now?

Mr. CONVEY: Oh, no. There is more than one. There are at least five or six. The ones that I have mentioned all have an under-graduate course, plus polytechnic. I would say there are at least seven universities that are granting degrees in mining engineering.

Mr. PETERS: And are continuing them?

Mr. CONVEY: Well, they are still continuing with them, but I must admit that in one or two cases the number of students that are enrolling into mining after their second year of engineering, which is common to all fields of engineering, is becoming less and less. On the other hand, there is an indication that the graduate schools are growing, and into these graduate schools in modern mining in the large centres, one finds today that, in addition to a mining engineer, you need the services of other professionals: electrical engineers, mechanical engineers. And in this way, McGill, for instance, is attempting to give a two year course beyond graduation which initiates these other professionals into the field of mining. Now, this might be what you have noticed, that there is a tendency to go towards that type of educational course, which is really additional to the professional degree which they have already acquired. However, there ar still quite a few schools in Canada that are still giving under-graduate mining engineering courses.

Mr. O'KEEFE: Do they have some of these at Memorial University at St. John's or in Newfoundland-Labrador?

Mr. CONVEY: Yes.

Mr. PETERS: Well, Mr. Chairman, I may be wrong but the mining industry in my part of the country has been very concerned with the dropping by a number of the universities of their mining sections. I believe that the engineering profession, mining engineering, as such, is going to be non-existent in most universities. This is the first year that this has happened and will not, obviously, have much effect for two years. I think that Toronto University has no graduate degree course in mining engineering any longer. The Ontario government has gone to the extent of upgrading the mining school in Haileybury for instance, to a three year course, and it probably will go to a four year course.

Mr. CONVEY: Have they upgraded it to a degree course?

Mr. PETERS: No, it is three years now.

Mr. CONVEY: Yes.

The CHAIRMAN: Mr. Faulkner indicated that he wanted to ask a question. This was on matter, was it?

Mr. FAULKNER: It was supplementary to another field, but I was ruled out of order.

The CHAIRMAN: I see. Well, it was an arbitary decision by the Chairman.

Mr. FAULKNER: I will get back to it.

Mr. REID: I just wanted to ask Dr. Convey why people were not going into mining. Obviously, it is the students who are not going into mining; it is not the universities closing their doors first, but lack of people going in. Are wages too low to compensate for the isolation that one usually has to endure in a mining town? I can give personal witness to this because I was raised in a mining town. Is it because people just are not interested in this type of work?

Mr. CONVEY: There are so many avenues now that a student can go into which are much more glamorous and much more rewarding. The net result is that you will find that, instead of going into mining engineering, one can go into civil engineering, mechanical engineering, metallurgical engineering, and so on; and you are not required to go and live up in the mining camp as such.

Now, in addition to that, it could be that, in part, the mining industry as such have enjoyed a honeymoon for many years whereby it had an attraction for students. In the meantime, they have not kept pace with the amenities of life, the wages, for instance, but now, within the last few years, they are beginning to pick up their skirts and really get down to business.

But in the meantime, of course, the industry approach, the sort of attraction, just has not been there, and if the attrition rate continues whereby the number of students is going to get less and less, we will have no one in it in about another five years. This is why we initiated, for instance, in the mines branch, these grants of $100,000 to try and indicate to students that there is such a thing as research and post graduate opportunity in this profession, just as there exists in physics, chemistry and so on.

In the past, in mining engineering, you rarely found anyone who ever needed to, or even was inclined toward post graduate study; the profession did not lend itself towards it. But in this modern age of mechanization we find that the mining engineer, as such, has to be proficient in many ways and research is a must if they are going to keep in existence; one, to improve their products; two, to conserve their resources in so far as their development in an economical way is concerned, and so it is that the mining industry now must undertake advanced graduate work.

Mr. REID: How difficult is it for a man in a mining camp to keep up with these new developments?

Mr. CONVEY: In the actual operations of a mine? Well, the Haileybury School of Mines, for instance, turns out a very good type who become excellent operators in a mine; but then one has to look beyond that and think of the life of your mines; what is the economical way of extraction of your minerals; how are you going to make an operation safe. These are the questions which are being answered through the research efforts of today.

Mr. REID: Has the boom and bust cycle of mining hindered people from going into these mining professions?

Mr. CONVEY: I would not know; I doubt it.

Mr. REID: Thank you, Mr. Chairman.

The CHAIRMAN: Any other questions? Is this a new question?

Mr. BOWER: No, it is related, Mr. Chairman. Dr. Convey, has not this condition that we are talking about, the scarcity of students, people interested in mining in Canada, occurred also in the United States? Is there not a general preoccupation there, also? We have a sort of a hiatus here of ten or twelve years with a relatively few number of students in both geology and mining engineering, and is that not going to cause, a little later on, a situation where more senior men are going to be fewer in numbers?

Mr. CONVEY: I cannot answer for geology, but I do know this, that the troubles of the mining industry from the viewpoint of personnel is international. Every country is suffering the same as we are. In fact, the one country today which seems to be turning mining engineers out which are being used is the United Kingdom, and they are in very dire trouble in their coal mines, because there is no one who wants to go down. In Australia—I was there a year ago and we had quite a discussion on this same topic, trying to find out ways and means of encouraging students to go into mining engineering as a profession—They have the same troubles as we have here in Canada. It is not something which is a Canadian ailment alone.

Mr. REID: How about the influence of the wives on the mining engineers themselves?

Mr. CONVEY: That is a big part of the influence, and the wives just require modern means of living, and many of our mining towns are quite good, but it is in the smaller ones where the young graduate that just comes out that has to go out and really dig it out, where you run into the trouble.

Mr. REID: Dr. Convey, the mines branch, within the last two or three years opened a mining research centre at Elliot Lake, as I understand it. First, what is this development, what is the nature of it? In respect of the training of personnel, is there any possibility, is there any desirability in the long term of the mining industry sending people there, to the mining research centre at Elliot Lake, for training, upgrading of their skills?

Mr. CONVEY: For the development of the Elliot Lake project, really, one should go back to 1950, when the provincial government asked the department to get into a study of mining research as such; and at that time the interest was primarily in the coal mine, safe operation of coal mines; so we got into a study of rock properties, and so on.

That was grown and has been extended into the metal mining areas. We now have the co-operation of industry right across the country; we have experiments going on in many mines. But it is one thing to develop techniques in a laboratory, and then to apply them in an actual operating mine. So we had come to the conclusion that the only thing to do was to have a laboratory located right in an operating mine, and we received that opportunity as the mines were closing in the Elliot Lake area. We managed to co-operate and get into one of the mines up there; so we now have a staff of about 30 engineers and others working in Elliot Lake.

Now, their research is two fold: one, the stability of the mine workings; and, two, dust control. With respect to the possibility of training in those areas, the mining industry are working closely with us; their men come in there and work, then they on home to their present mine and are actually putting into operation techniques which we are developing.

The universities now recognize that where they have a man doing post-graduate studies in mining, he can do so much at the university, but the obvious place for him to finish off is in the actual Elliot Lake Mining research centre. So it could be that within the next year or two we will have specialized courses given as refresher courses, as introductory courses, into actual mining mechanics in the Elliot Lake area. It could also mean that there may also be introductory courses in the basic sciences for those who are entering the mining industry. This has been a gradual growth, but it is one which is now coming to fruition. We are, in a sense, developing along the same lines as the mining industry in the Union of South Africa, which has quite a well organized mining research group.

I might indicate also that in this research, for those of you who are economically minded, since most of our producing mines in Canada today are open pit mines, and not underground, if we could change the slopes of those mines by, we will say, 10 degrees, we could save the mining industry $30 million a year. We have a very active program under way, in the Labrador area, for instance. This is the type of research which we are attempting to do.

Mr. SALTSMAN: On this related field, I was just wondering what provision is made for the exchange of information as between, say, countries like Canada and South Africa, or is research information pretty closely guarded?

Mr. CONVEY: No, in this area, of course, it is wide open, and we have very good liaison both with South Africa and Australia, for instance. At the present time, we have one of our mining research engineers in Pretoria, which is one of the finest laboratories in the world in mining research. He has been there for a period of nine months. In turn, we have a South African with us.

Mr. FAULKNER: De we exchange information on the same basis with, say, the Soviet Union?

Mr. CONVEY: In this particular area, yes; not quite as free, I would say, but there is a lot that we can learn from the Soviet Union. I did visit the Soviet Union a year ago, in company with our top mining research engineer, and the effort that has been put into this particular field by the Soviet Union is very great.

Mr. FAULKNER: Yes, their situation is so similar, but I was just wondering, what are the limitations; on exchange of information; You say, not quite so freely as with Pretoria. What are the limitations?

Mr. CONVEY: In this area, the limitations are an introduction into certain mining areas.

Mr. FAULKNER: There are mining areas in that country, or just in this country, that are not visitable, that are considered to be out of bounds?

Mr. CONVEY: Most of them are visitable, but there are other phases of their operations which they would prefer not to show around.

Mr. FAULKNER: Does that apply both in this country and in the Soviet Union?

Mr. CONVEY: Yes. We have an exchange arrangement between us which is quite simple to operate and we have industry co-operating with us, and when we wish to say "no" to any visit, they understand, and in return we receive the same answer. On the other hand, up to the present time, areas which we have been interested in visiting, the Russians have been quite open.

Mr. FAULKNER: How do their mining techniques compare—this may be slighty off the estimates, but it might be interesting—in your view? What is their level of technology in this field; is it comparable to ours, superior to ours?

Mr. CONVEY: We were over there for only three weeks, but I could say this, that we saw areas in their mining technology which matched anything we have, and we saw areas in which they were not as forward. In other words, they are suffering from this modern change into mechanization just the same as the rest of us; they have old mines which they are trying to reconvert; they have new mines which are very modern. This is particularly true with respect to some of their coal mines.

Mr. SALTSMAN: I have a rather tenuous supplementary question. This relates to a question of co-operation with other countries. At the various commonwealth conferences that have been held in the last number of years, the question of commodity stabilization prices has arisen and the question I would like to direct to you, Mr. Convey, is this: has there been any discussion with the other commonwealth countries regarding commodity stabilization prices in the mining products?

Mr. CONVEY: As a rule, at the commonwealth conferences that you refer to, for the most part, our discussions are associated with, really, the technical matters having to do with mining and processing. The question of prices and commodity fixing—if you wish—no, not to any extent that I know of.

Mr. SALTSMAN: This is of particular significance, of course, you understand, to the developing countries whose chief source of income and foreign exchange, in many cases, are their mineral exports. They have expressed great concern about the wide fluctuations that take place in world markets in these particular commodities, and they cause serious disruption to their economies, either when the price goes up too quickly, or when the price comes down. It was for that reason I asked the question. I might ask you another question: are you giving any serious consideration to meeting with other commonwealth nations to discuss this problem?

Mr. CONVEY: I think what you find, in partial answer to your question, is that a lot of the major mining companies are all sort of intermarried in different countries, and they themselves are the groups who are looking at the stabilization—

Mr. SALTSMAN: In other words, they make the decisions, rather than the nations involved?

Mr. CONVEY: I would think so.

The CHAIRMAN: Mr. Faulkner, did you have a supplementary question? Mr. Wahn has indicated he would like to ask a question.

Mr. FAULKNER: No, my previous question was a supplementary one. I am down on that list to raise something else.

The CHAIRMAN: Do you want to go back to the original question you wanted to ask?

Mr. FAULKNER: It is very brief, and I am not sure whether it falls within this jurisdiction. We were talking about the resources, and stockpiling of resources. I agree with the answer made to Mr. Peters' question. I do not think it is an across the board, sensible thing to do, but there may be certain raw materials where this is necessary, and I am thinking particularly of copper. I am wondering whether someone could give us a statement about what the position of copper is. It is hard to get a clearcut answer on this, whether the export permit system—now, this is the area where you may not be in a position to give an answer—is, in fact, working effectively to curtail the export of copper products. I am particularly interested in the supply of copper. On the basis of an answer on that, we might be able to get some information on the exports from another committee.

Mr. DROLET: The point is, you would like to ask why some Canadian companies have more trouble to get their supply of copper than a U.K. company at a high price?

Mr. FAULKNER: Well, that is what I was working at, but since you have asked, perhaps you would like to answer it.

Mr. DROLET: Well, unlike yourself, I do not understand all the time how the pricing of commodities in the world works. Sure, demand puts the price up, and this and that. And as I mentioned to you the last time, the department responsible for the export of copper in Canada is the Department of Trade and Commerce in conjunction with the Department of Finance, which is the big policy making department. We sit on those committees as mineral economists, because we supply the basic information of what we have here in Canada, what we can produce, what are the reserves; in other words, what is exactly our position in relation to this metal. We consider also our exports. We are talking about a big export product, copper. And then, let us say, we are stuck a little bit; copper is not only confined to Canada or to one province or another. You have to look at it on a continental basis, Canada and the United States, we are together, we are in the same boat, and we follow prices there.

If the price of copper in the United States goes up or down, you have noticed we follow the following morning or the day after. Why? Because we are obliged to do so; this is it. So we have sat many times and discussed these problems, taking also into consideration the case of the big stockpiles of material that they have in the United States. Maybe if we did not follow what is

happening in the United States, they would release the large amounts of copper, and then the market would be flooded, and would hurt all mines and all exports. We have to take that into consideration. We are now issuing permits. When I say "we", I mean the Government of Canada, the Department of Trade, issuing permits. You cannot ship offshore unless you have a permit. We grant these permits, but the fact that these permits are obligatory means that we have a certain control. We present copper to go in that direction. We did not stop the scrap going into the United States, for instance. We kept the border open between Canada and the United States. So it is on a big continental basis that we are looking at it. But I can say now that the measures that have been taken by the Department of Trade, and also with us, are assuring an adequate supply to Canadian fabricators. Sometimes the price is a little bit higher, I admit that; it is a little bit high. But they have their supply first before we would ship it to offshore markets. This is the reason why we have all these controls now.

● (10.45 a.m.)

Mr. FAULKNER: Are you satisfied then, as the technical expert responsible for assessing our supply of copper, that the present provisions for controlling offshore shipments are adequate. In other words, we are not depleting an important natural resource?

Mr. DROLET: Right.

The CHAIRMAN: Are there any other questions? Mr. Wahn, you had a question.

Mr. WAHN: Mr. Chairman, there is a column entitled, "Positions, man years". I would like to be certain I understand the significance of this term, "man years". Does that mean one man working a year, or two men working a half year, or just what is the significance of it?

The CHAIRMAN: We will ask Mr. Code; he is the expert in personnel to answer that.

Mr. CODE: Mr. Chairman, man years is used by the Treasury Board to cost the position as it appears in estimates. A man working for a full year has to be provided for in terms of one man year.

Mr. WAHN: As I look at the man years, I note that in the range $14,000 to $16,000, there is a proposed increase from 6 to 79. In the range $12,000 to $14,000, the range remains about the same, 113 to 115. The range $10,000 to $12,000 is dropped from 75 to 5. Does this reflect some upgrading in salaries, or just what does this reflect?

Mr. CODE: Salary adjustments.

Mr. WAHN: Is it a general upgrading, then, that the people who are getting $10,000 to $12,000 are now getting $12,000 to $14,000, and a similar number have been moved up one stage; is that what has happened?

Mr. CODE: Yes, a whole new class was introduced called research scientists. This resulted in quantities in various salary brackets being altered upward.

Mr. WAHN: Would these people in these salary ranges be university graduates, or at what level, what type of training would they have?

Mr. CODE: They would be largely university graduates.

Mr. WAHN: How far down the salary scale?

Mr. CODE: Well, in our department as a whole, employees in this professional range are almost entirely university graduates.

Mr. WAHN: For example, from $6,000 to $8,000, we have a course of 18 this year; they would be university graduates?

Mr. CODE: In that range, a lot of our senior supervisors are located, and they are not university graduates. They would be supervisors in draughting and compilation work, but our university graduates start at $5,500, so the particular group you have cited contains some university graduates, and some none.

Mr. SALTSMAN: A supplementary question, Mr. Chairman, while we have the personnel man in here; could you tell me what disciplines these university people represent?

Mr. CODE: Mr. Convey could answer that one.

Mr. CONVEY: In the mines branch of the total staff, we have approximately 270 who are university trained. Now in the disciplines we count practically the whole spectrum. We have mining engineers, metallurgical engineers, mechanical engineers, civil engineers; we have physicists, chemists. In other words, in research establishments such as ours, which is essentially what one would call a material science establishment, one requires all the disciplines really collectively working together as a team.

Mr. SALTSMAN: You have many people that might normally be considered in the social sciences—sociologists, for instance?

Mr. CONVEY: No, we do not have a sociologist on the staff; but where we need the sociologist at times, we turn around and ask Mr. Code in the personnel to provide us with the help.

Mr. SALTSMAN: Do you take any sociological considerations in tow when you are making certain decisions? In other words, how would it affect the people in the area?

Mr. CONVEY: Oh, absolutely. In the selection of staff we do like to have a good look at the individual, and after he has been with us for some time, probably about a year, we again consider him.

Mr. SALTSMAN: I am sorry to interrupt you; I did not mean this in terms of the selection of staff, I meant in terms of the effect that your decisions regarding mines might have on the communities in those areas.

Mr. CONVEY: Then we are getting into another branch of the department, which I think is the geography branch. Our interest in the mining community is solely with the technical effort in the actual mine itself, and the mill.

Mr. SALTSMAN: Is there another department that takes the other considerations into account—

Mr. CONVEY: In the federal government?

Mr. SALTSMAN: Yes.

Mr. CONVEY: Mr. Drolet would know that one.

Mr. DROLET: Well, I know that Northern Affairs are greatly concerned with the establishment of towns in the northern parts of Canada, because they act almost like a provincial entity, but I do not know, except perhaps an indirect interest from the Department of Manpower now. But I do not know of any that—

Mr. SALTSMAN: ARDA?

Mr. DROLET: ARDA, yes.

The CHAIRMAN: Gentlemen, I am just going to interrupt the questioning at this point because we have to leave at 11 o'clock. We have a motion upon which the steering committee would like you to act, and that concerns the reduction of our quorum to nine, if it is all right with the Committee to do that at this point. Then if it is your wish to act upon Votes Nos. 45 and 50, which concern the present witness we can do so, or else we can stand these votes over until Tuesday, whichever you wish. But I would like to read to you the report, if I may, of the steering committee. At our last meeting, as you know, we did not get a quorum, and so therefore this report really incorporates the two reports; the first is just the formal procedure that we adopted, which included the standing over of Item No. 1 until after we have concluded our detailed study of the individual votes. At that time, the Minister would return for questioning of a general nature, and in all probability the Minister at that time will go into some of the other agencies that are not covered specifically in the estimates.

The other specific recommendation of the steering committee was that "Your committee further recommends that the quorum for the standing committee on Industry, Research and Energy Development be reduced from 13 to 9." I would appreciate, if there is no discussionon this, having a motion so that we can formally deal with this matter.

Mr. WAHN: Mr. Chairman, is it open for discussion?

The CHAIRMAN: Yes.

Mr. WAHN: The only question in my mind is whether the quorum should be reduced even further. I understand that some of the committees have been held up because of the difficulties in getting a quorum. The proceedings are printed. Members can always read the printed proceedings. If members are interested, they will get out. If they are not interested, there is not much point in deferring proceedings until a certain number of uninterested bodies are pulled in. I do not wish to delay anything that the steering committee may have agreed upon, but it does seem to me that it would be very good practice to get the quorums in these committees just as low as possible. If this Committee could

lead in achieving a low quorum, I think it would be highly desirable. I would be prepared to go along with the suggestion that it be reduced to nine, but I would also be prepared to move that it be reduced to five.

Mr. REID: Mr. Chairman, one thing has come to my mind with these committees. Have we taken into consideration the possibility perhaps of striking off subcommittees to investigate certain areas of these estimates? I think this would provide more flexibility.

The CHAIRMAN: I do not think we are empowered to do that under the present set-up of the committee system.

Mr. REID: Well, perhaps this is something that the steering committee might take the trouble to look into. I think we require a great deal more flexibility in these committee standards.

The CHAIRMAN: This is something that we might to take up in a general sense, but I think that at the present time, in order to examine the estimates, we have to do it in this way, and in order to formally pass any vote, we have to have thirteen members. The purpose of this was to reduce it to nine.

Even on our black Friday, or black Thursday, whatever it was, when there was considerable amount of confusion, more than has existed since then, I might say, we did get nine members, and we probably could have got one or two others by dragging bodies in, as Mr. Wahn has suggested. But the general procedure in other committees has been to reduce the quorum to nine, and the suggestion, as far as reducing it further, is that perhaps it would not meet with approval and might generate a considerable debate in the House of Commons which might cause a lot of delay.

Mr. WAHN: I understand in other jurisdictions assembly is carried on with only two or three people in the room. The proceedings are printed, and those who are interested read them.

The CHAIRMAN: As a matter to study for future procedures, it may well be a very good suggestion, but at the present time, in the light of present circumstances, it seems that a reduction of a quorum to nine, in the view of the steering committee was that it would be a move forward.

Mr. FAULKNER: Mr. Chairman, although I have the greatest sympathy for your position, I might just say a word of commendation for your valiant effort in trying to keep this Committee together and getting them to meet, and when they have not met it certainly has not been due to any fault of yours. I think on the matter of principle, in trying to recognize the importance of committee work, that I cannot go along with any reduction in the quorum. I think something far more fundamental than just reduction of the quorum to meet the present difficulty is required, and by reducing the quorum we are just evading the problem, and I really think that special time has to be allocated to committee work, perhaps when the House is not sitting, or perhaps the House would sit less frequently in order to allow the committees to sit and to get their quorums, because my own personal experience has been that having the officials of the department at a committee is the most important thing, and a most

valuable thing, especially to a new member. Therefore I think that by reducing the quorum you downgrade the work of the committee to some extent, you diminish the energy that goes into it, and the interest that goes into it.

The CHAIRMAN: Well, we have to have a motion. Someone said, question.

Mr. LAFLAMME: I so move.

Mr. REID: I second the motion.

The CHAIRMAN: If there is no further discussion, are you ready for the question?

Motion agreed to.

There is good precedent for standing alone, Mr. Wahn.

There is one other thing I would like to ask you before we go. We have Votes Nos. 45 and 50, which are really taken together, and I was wondering if it was your wish at this time that we carry these over, or whether you would like to—

Some Hon. MEMBERS: Carried.

Items agreed to.

The CHAIRMAN: Well, these are carried.

Now, at the next meeting which will be on Tuesday. We will be dealing in all probability with those estimates concerning water and so on, and there were a number of question in this regard when the Minister was before the Committee. I just want to bring this to your attention.

Mr. SALTSMAN: I would just like to know whether, when Vote No. 110 dealing with the National Energy Board is before the Committee, the chairman of the national energy board will be available to the Committee?

The CHAIRMAN: We would hope so; we will make an effort to bring that about.

Thank you very much, gentlemen.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. RICHARD CASHIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

TUESDAY, MAY 31, 1966.

Main Estimates (1966-67) of the
Department of Mines and Technical Surveys

WITNESSES:

From the Department of Mines and Technical Surveys: Dr. J. M. Harrison, Assistant Deputy Minister (Research); Dr. J. D. Ives, Geographical Branch; Dr. J. H. Hodgson, Dominion Observatories Branch; Mr. K. M. Pack, Director of Administration.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

23955—1

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Richard Cashin

Vice-Chairman: Mr. Ovide Laflamme

and

Mr. Addison,
Mr. Andras,
Mr. Beaulieu,
Mr. Bower,
Mr. Choquette,
Mr. Code,
Mr. Davis,
Mr. Faulkner,
Mr. Forest,
Mr. Fulton,
Mr. Grafftey,
Mr. Hales,
Mr. Hopkins,
Mr. Latulippe,
Mr. Legault,
Mr. McCutcheon,
Mr. O'Keefe,
Mr. Peters,
Mr. Reid,
Mr. Saltsman,
Mr. Scott (Victoria (Ont.)),
Mr. Wahn—24.

(Quorum 9)

R. V. Virr,
Clerk of the Committee

ORDER OF REFERENCE

MONDAY, May 30, 1966.

Ordered,—That the quorum of the Standing Committee on Industry, Research and Energy Development be reduced from 13 to 9 members.

Attest.

LÉON-J. Raymond,
The Clerk of the House.

23955—1½

REPORT TO THE HOUSE

THURSDAY, May 26, 1966.

The Standing Committee on Industry, Research and Energy Development had the honour to present its

FIRST REPORT

Your Committee recommends that its quorum be reduced from 13 to 9 members.

Respectfully submitted,

RICHARD CASHIN,
Chairman

(*Concurred in May 30, 1966*)

MINUTES OF PROCEEDINGS

TUESDAY, May 31, 1966.
(4)

The Standing Committee on Industry, Research and Energy Development met this day at 9.40 o'clock a.m., the Chairman Mr. Cashin presiding.

Members present: Messrs. Bower, Cashin, Choquette, Davis, Faulkner, Forest, Fulton, Hales, Hopkins, McCutcheon, O'Keefe, Peters, Reid, Saltsman (14)

Also present: Mr. Gordon H. Aiken, M.P.

In attendance: From the Department of Mines and Technical Surveys: Dr. J. M. Harrison, Assistant Deputy Minister (*Research*); Dr. J. D. Ives, Geographical Branch; Dr. J. H. Hodgson, Dominion Observatories Branch; Mr. K. M. Pack, Director of Administration.

The Committee proceeded to examine the estimates of the Department of Mines and Technical Surveys.

Item 55 Geographical Surveys and Research was called and carried subject to satisfactory reply to Mr. Fulton's question concerning grants to Universities.

Note 1. Appendix 1 contains the answer to Mr. Fulton's question.

Item 60 Research in Astronomy and Geophysics—Administration Operation and Maintenance was carried.

Item 65 Research in Astronomy and Geophysics—Construction or Acquisition of Buildings, Works, Land and Equipment was carried.

Item 85 Polar Continental Shelf Project was called and carried subject to satisfactory reply to Mr. Fulton's question regarding delineation and jurisdiction of the Polar Continental Shelf area.

Mr. Hales asked a general question regarding the unspent balance in the Mines and Technical Surveys estimates for each of the past five years.

Note 2. This information is contained in Appendix 2.

The Chairman called items 70, 75, 80, 25 and 30 pertaining to water resources and called upon Dr. Harrison to make an introductory statement.

Dr. Harrison made a brief statement regarding water resources.

At 11.02 o'clock a.m., on a motion by Mr. McCutcheon, seconded by Mr. Fulton, the meeting adjourned to the call of the Chair.

R. V. Virr,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

TUESDAY, May 31, 1966.

● (9.30 a.m.)

The CHAIRMAN: Gentlemen, we have a quorum.

I might say that on Thursday we will be sitting at eleven o'clock so we may not lose that ten or fifteen minutes.

The procedure for this morning is as follows. We are going to call a couple of votes dealing with the Observatory branch and the geological Branch; after that we will have a short statement from Dr. Harrison, the assistant deputy minister of research regarding the general area of water. There are five votes dealing with water, which involve three branches of the department. It would seem , therefore, when we reach that stage it probably would be advisable if the three branch heads involved with this area were to be seated in the appropriate place, because there may be questions directed to all three of them.

Mr. FULTON: Mr. Chairman, you said there are five votes dealing with water: 70, 75 and 80. Could you say which the others are?

The CHAIRMAN: Oh, yes, 25 and 30; that is the marine sciences branch. I believe that is the branch that was in the Department of Mines and Technical Surveys previous to the change.

Now Vote No. 55 deals with the geographical branch:

MINES AND TECHNICAL SURVEYS

55. Administration, Operationa nd Maintenance including the expenses of the Canadian Permanent Committee on Geographical Names, the Nationa Advisory Committee on Geographical Research and the National Committee for Canada of the International Geographical Union, Canada's fee for membership in the International Geographical Union, and grants as detailed in the Estimates. $962,300

Are there any questions on Vote No. 55?

Mr. AIKEN: Mr. Chairman, I am not a member of the Committee but I wonder if I could ask about the situation concerning staff in the Geographical branch. I hear from time to time that there is a good deal of difficulty in securing trained personnel for the section. I would like to know what the situation is at the moment; is there a shortage, is there a prospect of university graduates coming into the field and what is the immediate forecast in the department?

● (9.45 a.m.)

Dr. J. D. IVES (*Director, Geographical Branch, Department of Mines and Technical Surveys):* Well, Mr. Chairman, I can answer that very briefly by referring to the situation in the universities. Certainly there is a great problem with regard to staff recruitment, particularly at the more senior levels. This, I think, is a temporary phase, and is the result of very, very rapid expansion of

geography department faculties in the universities. Over the past half dozen years the number of university departments of geography has more than doubled and there are now 25 full departments across Canada; they themselves are doubling and trebling their staff in a very short period of time. So there is tremendous pressure for the recruitment of trained geographers with a doctorate. The result is competition between university departments themselves and between the universities and the geographical branch in other areas in the government.

I think, as the situation settles down, the much larger graduate schools that are being built up today will offset this problem. As we stand at the moment, my recollection is that I have about six vacancies in the geographical branch for which we would ideally like to recruit new people with a Ph.D. What we will probably have to do is to take them at th M.A. level. Ther is not such a pressing problem at the M.A. level, but certainly at the higher levels this is acute right now.

Mr. AIKEN: Compared to recruitment into private fields and universities is the government pay standard comparable?

Mr. IVES: With the latest cyclical review of salaries, Class A, I think on a straight comparison we are more or less equal with universities and private industries; but so far as the university situation is concerned, for instance a man with a new Ph.D, can expect a salary as an assistant professor of about $8,500 to $9,000. This is, of course, only for nine months of the year and he can add to this very significantly. If we look at the whole picture we are not competitors, and there is no doubt about that; but if we just look at it superficially and you ask what is the man's minimum university salary, what is his salary in the geographical branch or in another area of the government it looks all right on paper but in fact it is not when you consider the whole picture.

Mr. AIKEN: May I ask just one more question that relates to the six vacancies that you have. Are these vacancies in any one particular branch or department and what are your hopes of filling them?

Mr. IVES: The weight of the vacancies are primarily in the area of economic and regional geography. Because of this growing awareness across the country in provincial governments and in the universities of emphasis on resources and research in the relationship of regional geography and resource economic geography, there has been particularly great expansion in the universities in this field, so the universities can buy good staff from me very easily. We are in the process of filling some of these positions now but at the level of a person within a new M.A. What we really need is a senior person at the full professor level and above who is adept at the new computer techniques as well as well trained in economic geography and unless we can pay him a salary in the order of $16,000 to $18,000 we cannot possibly hope to get one.

Mr. FULTON: I see you have a new heading of expenditure, grants in aid of geographical research in Canadian universities, $25,000 this year and nothing shown for last year. What universities are going to receive these grants?

Mr. IVES: The newly created National Advisory Committee on Geographical Research has just gone through the process of awarding these grants and we

have made 23 awards—I might be slightly out on my figures here—to 11 different universities across the country and the sums have ranged from $200 to $2,000.

Mr. FULTON: Does it take the form of payments to individuals or in the way of bursaries or research assistance, or do they take the form of payments to the universities and then the universities apply them as they see fit?

Mr. IVES: Oh, no. The actual allocation of the money is to the university but it is specifically named for a particular professor, and then he uses the money along the lines of the supporting document that he put in with his application. So it is for a specific purpose.

Mr. FULTON: And what is the name of the organization you said co-ordinated it?

Mr. IVES: The National Advisory Committee on Geographical Research which was set up just over a year ago.

Mr. FULTON: By the universities?

Mr. IVES: By order in council as affiliated with my branch, and I am the chairman of it.

Mr. FULTON: Could you give us its composition?

Mr. IVES: Yes. The order in council reads up to ten members from Canadian universities, up to four from the private sector, and up to four from federal and provincial governments. We have not filled all the positions. We have a committee of thirteen at the moment and these are well representative of the country and of the different aspects of geography, ranging from physical geography, glaciology through to economic geography.

The CHAIRMAN: Are there any further questions of Dr. Ives?

Shall Vote No. 55 carry?

Item agreed to.

The CHAIRMAN: The next deals with the observatories branch; there are two votes here, Vote No. 60 and 65. I might say in passing that the national observatory at Mount Kobau, B.C. comes under this vote.

RESEARCH IN ASTRONOMY AND GEOPHYSICS

60. Administration, Operation and Maintenance, including the expenses of the National Committee for Canada of the International Astronomical Union, Canada's fee for membership in the International Astronomical Union, and grants and contributions as detailed in the Estimates $2,638,000.

65. Construction or Acquisition of Buildings, Works, Land and Equipment $2,345,000.

Mr. FULTON: I am sorry, Mr. Chairman; I think I asked what universities received the grants and I think I probably interrupted Dr. Ives in his answer. I do not think I got an answer to that part.

The CHAIRMAN: He said there were eleven but he did not name them.

Mr. FULTON: Would you mind giving us the names?

Mr. IVES: I do not have my record with me on that topic, but I can name some of them if not all of them. There was U.B.C.

Mr. FULTON: How much?

Mr. IVES: I could not answer that.

Mr. FULTON: Would you like to file it later.

Mr. IVES: I could get the figures by telephone if you would like me to.

The CHAIRMAN: We will be having a meeting again on Thursday and I think one of the assistant deputies will be here then; perhaps at that time he could provide that information to the Committee.

Are there any questions on Votes 60 and 65, which deal with the observatories branch?

Mr. AIKEN: I would like to ask first about the radio astronomy unit at Penticton. I am not sure what you call it.

Dr. J. H. HODGSON (*Director, Observatories Branch, Department of Mines and Technical Surveys*): It is the Dominion Radio Astrophysical Observatory, I am sorry to say.

Mr. AIKEN: May I ask first, is there another such observatory being planned?

Mr. HODGSON: Another radio telescope has already been completed by the National Research Council in Algonquin Park. The co-operation between these two observatories is very close and there is no overlap of function of the two; in fact, we will have some of our people occasionally working in Algonquin Park to take advantage of that larger dish.

Mr. AIKEN: Is the Algonquin Park observatory identical to the Penticton one?

Mr. HODGSON: No, it is a much bigger dish. It has a radio telescope of 84 feet in diameter and the N.R.C. one is 150 feet.

Mr. AIKEN: Well, I am sorry; which is the N.R.C. one?

Mr. HODGSON: It is the one in Algonquin Park.

Mr. AIKEN: It is the National Research Council one?

Mr. HODGSON: It is the National Research Council facility operated for the entire scientific community; it is almost twice as big as ours.

Mr. AIKEN: When you say "yours" you refer to the Penticton one?

Mr. HODGSON: Yes; I am sorry.

Mr. AIKEN: The other question I wanted to ask concerns the new project that the Chairman mentioned at the beginning. What is its relation to the radio telescope?

Mr. HODGSON: Mr. Chairman, if I could be slightly expansive on that question, to study astronomy astrophysics completely you need to study it optically to get the optical radiation, and you need to study the radio emission from it. So you have both the radio facility and the optical facility.

In addition to this you have to study not only the spectroscopic analysis of the light but you have to study where the stars are, how bright they are, how hot they are and a lot of things like this. So a complete observatory consists of a variety of sorts of telescopes and the telescope which gets the most attention at the moment is the 150-inch, which is now in the planning stage; this will be placed on a mountain south of Penticton, Mount Kobau and the entire establishment on Mount Kobau and at Penticton will be part of a single establishment to study astronomy in all its aspects.

Mr. AIKEN: I would also like to ask could these radio telescopes be used to observe satellites or other units being sent into space at the present time?

Mr. HODGSON: I suppose that our dishes could be used for that purpose, but they have not been because they were not designed for that specific purpose, and other facilities are capable of doing it.

Mr. AIKEN: The facilities at Jodrell Bank, for example,—

Mr. HODGSON: Yes.

Mr. AIKEN: —are used very extensively for this. Are these facilities similar to the facilities of the Penticton unit at all?

Mr. HODGSON: It is a very very much larger facility, working at a different frequency; they are the same in principle. Our astronomers at Penticton have a fixed program of examining the sky at a certain wavelength and they pursue this as long as conditions are favourable and they do not get deflected into the sort of public relations aspect of tracking satellites.

Mr. AIKEN: I would assume, therefore, that we have not been asked by American authorities or anyone else to assist in tracking observations?

Mr. HODGSON: That is right.

The CHAIRMAN: Are there any further questions on Votes 60 and 65?

Mr. AIKEN: Perhaps this question is a little bit off key, but have these radio telescopes been used in any way for observation of unidentified flying objects?

Mr. HODGSON: No, I do not think that there has been any application in that way.

Mr. AIKEN: They are limited then to stellar observations, for long range radio signals from stars in a very large system?

Mr. HODGSON: Yes. They are making at the moment a complete survey of the sky at the frequency of their telescope and this will eventually be published as maps showing sources of radio noise in this; these sorts of studies will be co-ordinated with our big optical telescope, when it is available, to try to tie the two things together.

Mr. AIKEN: Has there been any significant discovery through the use of the radio telescope?

Mr. HODGSON: I think nothing world startling. They have found new sources of radio noise and mapped them very thoroughly, but on the understanding of what these mean I do not think there has been any breakthrough scientifically.

It is part of the necessary examination of the sky radiations other than those of light.

Mr. AIKEN: This is routine observation which may at some time, however, result in such a discovery, or is that its purpose at all?

● (10.00 a.m.)

Mr. HODGSON: It is difficult to know. They have made many discoveries; they discovered new sources of radio noise and published papers and maps of them, and so on, but these have not indicated any radically new departure in sciences at the moment.

One has to take observations, interpret observations and apply the scientific method for a long time without necessarily finding any completely new departure. I think our group is extremely competent and well justifies the expenditures that are put into the equipment that they have.

Mr. AIKEN: The building up of a field of scientific knowledge?

Mr. HODGSON: That is right.

Mr. AIKEN: Thank you.

Mr. BOWER: Mr. Chairman, I would like to inquire if these observatories are planning to work on quasars?

Mr. HODGSON: Some of the observations at Penticton are involved in that. Our optical equipment is not up to this; it is a thing, of course, we hope to get into when we have our 150-inch telescope some five or seven years hence.

Mr. BOWER: I believe they are called quasars, but that is an abbreviation for quasi stellar—

Mr. HODGSON: I am sorry: I should say I am a seismologist professionally so please do not expect too much from me in this area.

Mr. BOWER: I am a geologist.

Mr. FULTON: Well, could somebody translate for the benefit of the uninformed. What is a quasar.

Mr. HODGSON: Remember, Mr. Chairman, I am a seismologist.

The CHAIRMAN: Remember, Dr. Hodgson, that we are laymen.

Mr. HODGSON: It gives you a certain leeway.

There are radio sources that put out tremendous energy and all the studies about them indicate that they are relatively small in size. The problem is, if you can get so much energy being radiated from a point in space which has such a small linear dimension, then it suggests that there is some new way in which energy can be generated in the universe. These objects, I believe have been proved to be extremely distant and therefore it has profound implications for all theories of how the universe was formed. It is the real forefront at the moment of astrophysical research; it is extremely interesting. We are out of it optically because our biggest telescopes in Canada are not big enough for this.

The CHAIRMAN: Are there any further questions?

Mr. DAVIS: Mr. Chairman, I would like to ask one question. Would you say that most of this activity is in the area of basic or fundamental research or would you say there were certain practical near term applications and, if so, could you identify any of the latter?

Mr. HODGSON: Well, considering our branch as a whole, of course, we are not only doing astrophysics and astronomy; we are also doing geophysics, and much of the work we are doing in geophysics is of immediate practical importance, gravity surveys, magnetic surveys, earthquake studies and the like.

In our astronomy work the immediate practical bread and butter thing we do is the time service. We are the people who are responsible for keeping track of time and distributing this through radio and various other ways.

Did your question refer to astrophysics as such?

Mr. DAVIS: I am directing my questions to the budget items, essentially. I would like to get a rough idea of the breakdown say, on the operations expense side as between fundamental research and what might be deemed to have some immediate application.

Mr. HODGSON: Well I would think that almost all our geophysical work, which up until the time of the Queen Elizabeth telescope was 80 per cent of our budget, is highly practical. We do the gravity survey of Canada; we run a number of seismograph stations and keep track of earthquake risks; we have an airborne magnetometer; we keep track of the changing magnetic field— all these things are highly practical.

With the construction of the Queen Elizabeth telescope our budget is better balanced between geophysics and astrophysics, and at the moment I suppose that rather more than half of it is going into astronomy for the development of the telescope.

The astrophysics, as earlier questioning has suggested, does not have any immediate practical benefit, although many of the things we know now in physics we first got inklings of in the stars, and therefore I would not want to say that it did not have practical importance physically.

The CHAIRMAN: Are there any further questions on Vote 60?

Mr. AIKEN: When is it expected that the Queen Elizabeth Observatory will be completed?

Mr. HODGSON: The target date is 1972 or 1973? At the moment the design of the telescope is under way; the mirror has been ordered and until the design is settled it will be a little difficult to be certain how long it will take to construct the telescope.

Mr. AIKEN: Can we expect similar items in the estimates then for the next four of five years?

Mr. HODGSON: Yes.

Mr. AIKEN: What is the total estimated cost of the project?

Mr. HODGSON: Dr. Harrison has suggested to me I should make one point clear. There will be on Mount Kobau a complex of instruments ultimately which we think of as a national observatory. One of these instruments will be

the Queen Elizabeth II telescope, a 150-inch telescope. The estimated cost of that telescope at this stage is $13 million.

The CHAIRMAN: Are there any further questions on Vote No. 60?

Mr. BOWER: I have one queston I would like to ask, if I may, before we carry this vote.

Are our expenditures in this realm comparable to other countries with a similar gross national product or some other index of that sort?

Mr. HODGSON: You mean in astrophysics?

Mr. BOWER: In the things covered here by Vote No. 60 and 65.

Mr. HODGSON: That is a very difficult question. I think our expenditures in this are lower, certainly, than in the United States, on a percentage basis. I would think they would compare favourably with most other countries, but lower too than the Soviet Union, certainly.

The CHAIRMAN: Are there any further questions?

Mr. FULTON: The detail for the expenditures for Penticton and Mount Kobau are all listed under Victoria, is that correct?

Mr. HODGSON: Mr. Chairman, it is a little confused. Penticton is listed under Ottawa and the others are listed under Victoria. The Queen Elizabeth vote is handled out of Victoria. That is the big telescope. The 150-inch telescope is referred to, I think, under Victoria.

Mr. FULTON: Did you not say that was going to go on Mount Kobau?

Mr. HODGSON: Yes, but our design staff is based on Victoria. We have a large observatory in Victoria, the Dominion Astrophysical Observatory.

Mr. FULTON: As I understand it the present operation at Penticton is found under Ottawa.

Mr. HODGSON: It is supervised under Ottawa because the ideas originated in Ottawa. As soon as we have all of these facilities there we will consolidate this under direction in the west. It has an historical basis rather than a logical one.

Mr. FULTON: It is not very easy to identify. Speaking for myself, I am new to this study in detail. I would be interested, for instance, to know how many staff are at Penticton; what is the size of the operation, and so on.

Mr. HODGSON: Penticton has a scientific staff of about eight, and with a supporting staff of technicians, secretaries and that sort of thing, there is a total staff of about 14 or 15. The staff is fairly high level; the professional staff are all Ph.D. level practically.

Now Victoria has a professional staff somewhat larger and operates two large telescopes outside of the city of Victoria.

Mr. FULTON: Did I understand you correctly to say that when the second telescope at Penticton is completed there will be a consolidation? Will the whole unit then be administered from Ottawa or from Victoria?

Mr. HODGSON: We would hope, sir, that it would be administered in the west, that there would be an institute of astrophysics set up which would handle all of our facilities in the west.

Mr. FULTON: Is the implication of that that this one would become a separate unit, accounting directly to Ottawa? Would it be under Victoria's administration, or how would this operate?

Mr. HODGSON: We are in the realm, Mr. Chairman, now of planning rather than firm decisions, but our hope is that we will set up an institute of astronomy in the west and that this institute will be under the direction of a very senior astronomer who will be responsible for the scientific program of all the instruments on Mount Kobau, of the instruments currently at Victoria and of the radio telescope which will be at Penticton. He will be responsible for directing a united and co-ordinated scientific program. Whether he will report to me as chief of this branch or whether a different branch would be set up is too far ahead to say. We would hope that that man would be responsible only for the scientific direction and that we would relieve him as much as possible of the day to day paper work; in other words set up a strong administrative section with him to handle that so that he can concentrate on making the best use of this large complex of instruments which we are preparing.

That complex, incidentally, would be available on about an equal time basis to university astronomers in all the universities of the country. We are thinking at the moment of 50 per cent of the time for government astronomers and 50 per cent of the time for university astronomers on all our instruments.

The CHAIRMAN: Are there any further questions on Vote 60?

Shall Vote 60 carry?

Item agreed to.

Shall Vote 65 carry; this also deals with the same branch?

Mr. AIKEN: Mr. Chairman, I have one question that is still not clear and that is exactly what is being installed at Mount Kobau?

Mr. HODGSON: I am sorry, Mr. Chairman, not to be able to give completely settled answers. The cabinet has approved the construction of a 150-inch telescope and this is now in the advanced stages of design. In addition to this, approval in principle has been given to the installation of a number of other small telescopes on the mountain, but approval in detail has not been given because we have not been able to come up with final costs; this would include two telescopes for determining the position of stars, two telescopes for determining the brightness of stars of various colours, two telescopes for studying the sun and two very minor instruments for photographing meteors. That is what we have in mind at the moment, and this whole complex of instruments we think of as the Mount Kobau National Observatory.

Mr. AIKEN: Is there any interconnection with the Penticton plans?

Mr. HODGSON: Well, as I mentioned in reply to Mr. Fulton, all these would be administered from the headquarters which we hope to set up there.

Mr. AIKEN: I meant physical connection; that is, communications.

Mr. HODGSON: Well, they are working in different areas; there is not much point to be gained by them being physically together, but they will be under the same direction; they will be directing their facilities towards solving the

same problems. There will be a consolidation of things like libraries, machine shops, workshops and the like.

Mr. AIKEN: Just so I will have it clear, is the manual telescope then doing different work than the radio telescope. The radio telescope is actually working beyond the physical observation field. Am I right in that?

Mr. HODGSON: Very much so at the moment, and when we have a 150-inch facility we will be able to tackle things like quasars and that sort of thing.

Mr. AIKEN: There is no actual connection then between the work of the two.

Mr. HODGSON: No close connection, no. They are aware of what each is doing and if the radio telescope people need some optical observations in certain areas of the sky they refer this at the moment to Victoria, who do the best they can with their 72-inch.

Mr. AIKEN: That is what I was trying to get at.

Mr. HODGSON: There is not an over-all direction at the moment, except myself. When we have this institute set up in the west coast there will be the direct supervision of a distinguished astronomer.

Mr. FULTON: Is that anticipated to be at Victoria or at the site at Penticton?

Mr. HODGSON: No, it is neigher; it will be in Vancouver. The announcement of this is due at any moment from our Minister. We have made an agreement with the University of British Columbia and have been leased five acres of land on their campus; we will put up a building which will house all the professional astronomers that I mentioned, who will work in close co-operation with the University of British Columbia.

We are just now sort of ironing out the shape that this thing will have, but we are very happy that the University of British Columbia has co-operated with us in giving us this land.

Mr. FULTON: But the physical location of the complex you have described will be on the same site as the present radio telescope at Pentiction?

Mr HODGSON: The radio telescope at Penticton; about 40 miles south of Penticton near the town of Osoyoos in the mountain, Mount Kobau, and all our complex of optical instruments which I have described will be on Mount Kobau In addition, we have Little Saanich Mountain outside of Victoria which has two telescopes. All of this complex of instruments will be directed from this institute to be set up on the campus of the University of British Columbia.

I am sorry, Mr. Chairman, I have obviously misinterpreted earlier questions and did not make my replies clear. I apologize.

The CHAIRMAN: Shall Vote 65 carry?

Item agreed to.

The CHAIRMAN: The next vote is Vote 85, which deals with the polar continental shelf project; that is on page 224:

85. Polar Continental Shelf Project, $1,695,000

If you have any questions on this vote they should be directed to Dr. Harrison, the assistant deputy minister.

Mr. AIKEN: I would like Dr. Harrison, if he would, to bring us up to date on what is being done in connection with the polar continental shelf.

Dr. J. M. HARRISON (*Assistant Deputy Minister, Research, Department of Mines and Technical Surveys*): Mr. Chairman, there is a large program going forward this year. For the benefit of those members who may not be familiar with it I might say that the polar continental shelf is, to a considerable degree, a co-ordinating project providing logistic support for scientific investigations, surveys and research, as well as carrying out its own operations in the field.

They are carrying out a continuing program of airborne surveys of one sort or another, making special studies off the coast of Greenland, in the channel between Greenland and Ellesmere Island and carrying out a variety of investigations, including ice surveys throughout the Arctic Islands, special aeromagnetic surveys and geophysical surveys of one sort or another.

In addition to this logistic support is provided to other agencies of government, including several in our own department; also, the Department of Defence, the Department of Transport and various other agencies. We also work fairly closely with several universities who are carrying out special investigations in the high Arctic.

Mr. FULTON: Administratively, Dr. Harrison, I wonder if you could relate this for me to the statement made by the Prime Minister when he introduced the bill currently before the House of Commons. He spoke of wet lands and dry lands, and it appeared to me when I studied that statement that the administration of the continental shelf north of a line therein described was going to come under the new Department of Indian Affairs and Northern Development, and the administration below that line would come under this department.

You are just describing the polar continental shelf, which suggests in itself that it would be north of that line. Could you clarify the situation for me?

Mr. HARRISON: As I understand it, sir, and I emphasize that I am a public servant, not in the House, but the administration of the material resources of the Canadian Arctic for everything north of 60 degrees and north of a line which extends approximately from the northwest corner of Hudson Bay to the south tip of Baffin Island is the responsibility of the Department of Northern Development. The technical surveys and scientific investigations carried out on these resources will be the responsibility of the Department of Energy, Mines and Resources.

The technical surveys will be carried out after consultation with the Department of Indian Affairs and Northern Development. I presume from Statements that have been made that the Department of Energy, Mines and Resources will be largely responsible for the national policy with respect to the development of minerals. The Department of Indian Affairs and Northern Development will be presumably responsible for the policies within that framework for developing the physical resources of the northern territories.

The CHAIRMAN: Are there any further questions?

Mr. FULTON: Whereas below that line both the planning and the administration will be the responsibility of this department?

Mr. HARRISON: As I understand it, yes sir.

The CHAIRMAN: Are there any further questions?

Mr. DAVIS: Just on this point, the Department of Mines and Technical Surveys and, in future, the new department, has responsibility for carrying out surveys of a general and national character.

Mr. HARRISON: That is right.

Mr. DAVIS: And this will continue to be the case projected through the entire area embraced in the northland or coming under the administrative jurisdiction of the new Department of Indian Affairs and Northern Development.

Mr. HARRISON: That is correct, sir.

Mr. DAVIS: In other words, the geological surveys of Canada, for example, will continue to operate on a national basis and similarly with other surveys.

Mr. HARRISON: Yes, sir.

Mr. FULTON: What about the planning for resource developments?

Mr. HARRISON: Do you mean, in the Canadian North, sir, or generally speaking?

Mr. FULTON: In the polar continental shelf.

Mr. HARRISON: The polar continental shelf was established some years ago after consultation by an advisory committee on northern development, a committee which still exists and which will be administered through the new Department of Indian Affairs and Northern Development.

The idea behind the polar continental shelf is to provide the basic information which will be required for any intelligent assessment or development of the resources, both potential and actual, in the North.

Mr. FULTON: Do I understand that the work with which this department would be concerned is primarily an information gathering service, but the planning of development programs would be in the other department?

Mr. HARRISON: I would think this would be a co-operative arrangement, but I cannot tell you at this point, sir, just what the plans are.

Mr. FULTON: In a moment I will have a question about the extent of the development to date, but before I get to that could I ask what is the composition of the committee you referred to on northern development?

Mr. HARRISON: The advisory committee on northern development. I must emphasize this committee has no jurisdiction, really, but a good many of the activities in the North are co-ordinated through this committee.

This committee has representatives on it from the present Department of Northern Affairs and National Resources, the Department of Mines and Technical Surveys, the Department of Transport, Public Works, Treasury Board, the Department of Defence, the Department of Fisheries, and probably others, too, that I cannot think of at the moment.

Mr. FULTON: To whom does it report?

Mr. HARRISON: It reports to the Minister of Northern Affairs and National Resources as it is now constituted.

Mr. FULTON: Will it in future then report to the Minister of Indian Affairs nd Northern Development?

Mr. HARRISON: I think so.

Mr. FULTON: Not directly to this department?

Mr. HARRISON: No.

Mr. FULTON: Does that appear to put the Minister of Indian Affairs and Northern Development in that department then in the position of being the co-ordinator of plans and programs for actual development in that area?

Mr. HARRISON: I am afraid I will have to beg off on that one, sir, because I do not know; I would not think so, but I cannot say what the plans are. This is an advisory committee; it is not an executive committee.

Mr. FULTON: I understand that. With respect to the polar shelf, the extent of Canada's jurisdiction was determined, or the basis of it was determined at the international conference in Geneva in 1958, was it not?

Mr. HARRISON: I do not know about that, sir. I know that at the 1958 conference, to which you refer, it was agreed that the nations of the world would have the authority to carry out investigations and to obtain from the continental shelf contiguous to their shores the mineral resources thereof.

I think there is some caveat in the statement which says they do not own them but they do have the right to exploit them. I am not quite sure about this.

Mr. FULTON: And then there was to be, as I understand it, studies made to determine or to delineate precisely the area of prior right of other respective nations; and our area runs, as I understand it, like a pie-shaped wedge toward the north pole and at some stage the boundaries of Canada's jurisdiction on the one hand, and Russia's on the other, had to be settled. Is that correct?

Mr. HARRISON: I do not know the legal aspects, sir, but I think the sort of sector approach that Canada used has been accepted, de facto accepted.

I am afraid I cannot be sure of this and I think that up to now the actual surface jurisdiction is a matter of some dispute on the surface waters. There are other international laws which have, I think, overriding authority, but according to the Geneva convention, at any rate, Canada should have the right to any physical resources of the continental shelf that extend from its islands seaward as far as they extend to the limits of the continental shelf.

Mr. FULTON: Well really what I am getting at here is whether you can tell us, or whether anybody is in a position to tell us, what progress is being made towards determining the actual physical extent of Canada's authority?

Mr. HARRISON: On the continental shelf, yes indeed, sir; this is part of the function of the continental shelf project to try to determine the limits of the continental shelf.

Mr. FULTON: Could you give us a progress report?

Mr. HARRISON: A good deal of this information is classified I think, sir, but it extends westward a matter of a couple of hundred miles in some areas west of the westernmost land limits before we get to the Arctic Ocean deeps.

● (10.30 a.m.)

Mr. FULTON: Could anyone at the moment draw on a map the agreed limits of Canada's jurisdiction, or has that been agreed yet?

Mr. HARRISON: I am not clear on what you means by jurisdiction, sir.

Mr. FULTON: Well within the terms of the Geneva convention.

Mr. HARRISON: Yes, that could be done, approximately.

Mr. FULTON: In so far as the polar shelf is concerned?

Mr. HARRISON: A good part of it, yes.

Mr. FULTON: Would that be classified?

Mr. HARRISON: No, I think not, not on a small scale type of map. I could have that information for you at the next session, if you like.

Mr. FULTON: I would like to have it.

The CHAIRMAN: Are there any further questions?

Mr. DAVIS: You did not say anything about eastward limits. Is there a problem of definition there?

Mr. HARRISON: Well at the eastward limit the shelf actually extends to Greenland, so I suppose it is an actual agreed boundary between Greenland and Canada, at least in part.

Mr. FULTON: Well, my question related to the definition of the polar continental shelf.

Mr. HARRISON: Well eastward the polar continental shelf would extend for research work to the boundary between Greenland or Denmark and Canada.

Mr. FULTON: And northward.

Mr. DAVIS: Is it the function of this department to more precisely define the contours of the continental shelf?

Mr. HARRISON: Yes.

The CHAIRMAN: Mr. Bower, you had a question.

Mr. BOWER: Yes, I would like to ask whether the participating nations in this would be Canada, Denmark, the United States off Alaska, and the Soviet Republic. That is, the polar area would be divided up among the nations I mentioned.

Mr. HARRISON: Yes, it would, as I understand the Geneva convention, yes.

The CHAIRMAN: Are there any further questions?

Mr. FULTON: Could you give us a rough outline apart from the geological or physical survey to delineate an area—what surveys and studies with respect to the existence and acceptability of resources in the shelf have been going on?

Mr. HARRISON: Ever since the polar continental shelf got under way we have been carrying out geophysical and geological investigations both in the area between the islands and off the islands to the west to try to get an

approximate idea of the potential mineral resources of that area and to learn something of the earth structures. This is a first reconnaissance type of survey, it being done on a fairly small scale, approximately one inch on a map equalling four miles on the ground or perhaps even eight miles on the ground, so that the amount of detail is relatively small. We have known for a good many years, however, that there are numerous evidences of potential pools of petroleum and natural gas, but I do not think at the moment it is likely any metallic materials or industrial metals will be mined from the shelf area. It is possible that petroleum resources will in the foreseeable future be developed in the offshore areas of the island.

Mr. BOWER: Would you have any percentage figure of what proportion of the shelf, so far as Canada's part is concerned, is sedimentary basin and which is basement rock?

Mr. HARRISON: I am afraid I could not hazard a guess at that, sir. I think that the great part of it off Labrador, Baffinland, the general eastern Arctic, would be part of the basement complex. Elsewhere, however, I think it would be younger sedimentary rock.

Mr. BOWER: Would you then say the greater proportion is sedimentary?

Mr. HARRISON: I would guess so, yes.

The CHAIRMAN: Are there any further questions?

Mr. FULTON: When we talk of the polar shelf to what extent is there delineation between the areas comprised in the Northwest and Yukon Territories and the areas we are now talking about as the polar continental shelf, in the administrative view. Is this all an extension of the area which is administratively comprised in the Yukon and Northwest Territories, or do they have a northern limit and the polar continental shelf which may belong to Canada then extends beyond that? Which is the situation?

Mr. HARRISON: I am afraid I cannot speak for the Department of Northern Affairs and National Resources, but I think administratively everything north of 60 and the line from the northwest corner of Hudson Bay to the south end of Baffin Island, would be three administrative units; Yukon Territory, District of Mackenzie, District of Keewatin and the District of Franklin, the last three comprising the Northwest Territories.

Mr. FULTON: I am not trying to tie you down to a precise definition but, broadly speaking, do the boundaries of those territories, in the view which you as an administrator follow, extend to the northernmost limits of Canada's continental polar shelf, or do they stop somewhere and is this polar shelf then a separate area?

What I am trying to get at is are they looked at as part of the territories which you have just mentioned, or do the terriories stop? Do the territories have a northernmost limit, and then does this extend north of that?

Mr. HARRISON: Well the polar continental shelf area is wholly confined within the District of Franklin, except for perhaps a small portion north of the Mackenzie River.

Mr. FULTON: I think I had better wait until I get your map on Thursday.

Mr. HARRISON: The District of Franklin includes all the Arctic Islands and the Boothia Peninsula, which is a very narrow peninsula which extends north from the Northwest Territories.

The CHAIRMAN: Are there any more questions on Vote No. 85?

Mr. AIKEN: Yes, I have been waiting to ask one question just to clear up a matter.

Vote No. 85, is called the Polar Continental Shelf Project. Is the project purely an information gathering project; is that what we can understand from it at its present stage?

Mr. HARRISON: All parts of our department gather information and put that information into usable form with the appropriate interpretations on it. The polar continental shelf project follows this procedure. It is largely a co-ordinated project; many of the reports and maps come out under the aegis of a different part of the department. It is data gathering but it is also data interpretation as well, different aspects of it.

Mr. AIKEN: Well, this may not be a fair question, but I would like it answered if possible.

With the proposed re-organization of the department and the technical surveys end of it being part of a larger department of energy and resources, do you expect the duties to change more toward policy making than information gathering along the lines we are talking about, the continental shelf to be exact.

Mr. HARRISON: Not this particular project. This is a technical group. The department policies as developed regarding the polar area, and it is part of the new Department of Indian Affairs and Northern Development, is a general policy of the government toward development in the North and will have a great effect on the kind of work, the detail of work, that the technical parts of the department undertake, but it will not change the kind of work the technical parts undertake.

Mr. AIKEN: This particular project and similar projects will remain as information gathering projects and research projects rather than policy making projects.

Mr. HARRISON: Yes. So far as these groups are concerned I presume the department will make use of the data and interpretations provided in order to develop policy.

Mr. AIKEN: This may, of course, be done in another area of the new department?

Mr. HARRISON: Yes.

Mr. FULTON: When was the continental shelf project set up as a separate project, Dr. Harrison?

Mr. HARRISON: In 1957. I would like to say, sir, in amplification, that I referred to the advisory committee on northern development; it is actually an advisory committee on northern research.

The CHAIRMAN: Are there any further questions on Vote No. 85?

Shall Vote 85 carry?

Item agreed to.

Well, this brings us to the votes which deal generally in the water area.

Mr. HALES: Mr. Chairman, I wonder if I could ask a question at this point to do with administration and cost of administration up to this point, not including the Dominion Coal Board, with respect to administration costs. Would this be the place or are you reverting back to that?

The CHAIRMAN: We will later. There are some votes dealing generally with administration, which will be called separately. Would it not be in order to ask that question at that time?

Mr. HALES: Yes.

The CHAIRMAN: We might have the proper officials to which your question might be directed, although such a question probably could be directed to the assistant deputy minister.

Mr. HALES: Gentlemen, I might not be able to be at the next meeting.

The CHAIRMAN: I should think that such a question could be directed to the assistant deputy minister?

Mr. HALES: My question is directed to the comptroller or the deputy minister. It has to do with the travelling and removal expenses in administration, and the Department of Mines and Technical Surveys shows an expenditure of $1,213,900, showing an increase from the year before of $72,320. Now $1,213,900 million for travelling expense for any one department would appear to me to be quite an expense. I realize that they have remote areas to travel to and from, but what control is held on this expenditure; who in the department has the say on who travels, where and when; is there any co-ordination or do we find one member of the department leaving at one hour and in a couple of hours another department member going in the same direction? I would like to have some information on that.

The CHAIRMAN: Any volunteers?

Mr. HALES: Is the comptroller present?

Mr. K. M. PACK (*Director, Administration Branch, Department of Mines and Technical Surveys*): I act in that capacity. It is true that the amount you refer to does appear large, but I think the point has to be remembered that this is a very mobile department, and our people, as you say, do travel to all parts of Canada; in general, our work is proceeding to the north, which means our travel costs in getting to the north are increasing, as travel costs themselves are increasing.

On the question of co-ordination, speaking in a general way, no individual in the department travels on his own authority. All requests for travel must be approved by higher authority. Normal trips are approved by the branch directors involved, the people you have here this morning as witnesses. All travel to conferences or conventions must be approved by either of the two Assistant Deputy Ministers and that is only done on a co-ordinated basis. Beyond that any plans that we have to send a group to a convention or a conference, where the total cost of sending the group is over $600, must be

additionally approved by Treasury Board. So, speaking in broad terms, co-ordination of all travel is effected at the divisional chief level, the branch director level, the Assistant Deputy Minister, the Deputy Minister and, as I mentioned, subsequently or finally, in some cases, Treasury Board.

Mr. HALES: There would be approximately how many people in the department issuing authority for travel?

Mr. PACK: Well we have roughly 13.

Mr. HALES: So there would be 13 people in the department giving authority to travel. These 13 do not co-ordinate one with the other?

Mr. PACK: They are co-ordinated in cases of all conference travel or all convention travel by either of the two assistant deputy ministers, whose authority is required.

Mr. HALES: So it is conceivable that Mr. A of this group of 13 could issue authority to travel and Mr. B could issue the same authority to travel, and they could end up in the same destination because they do not co-ordinate together? This is possible.

Mr. PACK: Well each individual branch Director, of course, is sending field parties out for their own purposes to different parts of Canada, and they authorize those in their own right. I do not think the need for co-ordination there is quite as obvious as it would be in the case of convention or conference travel, where it is definitely.

Mr. HALES: So it is possible that 13 people in the department are issuing authority to travel but the 13 are not co-ordinating one with the other. We have established that.

Mr. PACK: I would not say so, no sir.

Mr. HARRISON: I think perhaps I should add a word of explanation here, sir. Travel on field projects is something which is a responsibility of the branch Director; this is the kind of thing which is carried out by the individual branches. In some instances where there is work in the same general area the two programs are related. For instance, the polar continental shelf spends a good deal of its effort on providing a logistic support in a most efficient way for all the people who are working in the high Arctic. This is a field program. So far as travelling to conventions and conferences is concerned, if the total amount to be spent by the department on any one convention is $600 or more it requires Treasury Board approval and a submission is prepared and authorized to Treasury Board by one of the Assistant Deputy Ministers. So, there is co-ordination; it all has to come through headquarters and be approved in the headquarters area.

Mr. HALES: What is the explanation for the increase of $72,000 this year over last?

Mr. HARRISON: I am not sure to which item you are referring.

Mr. HALES: It is travelling and removal expenses for the department; it is on the big sheet at the back.

Mr. HARRISSON: Well we have acquired a very large branch in the department, the water resources branch, which does a lot of field survey work and travel work.

Mr. HALES: I think that will show under the Department of Northern Affairs.

Mr. HARRISON: It is now under our department, sir. It is a new expense to this department; it was not here last year.

Mr. HALES: Well, all right, that is sufficient.

The other point; your 1964-65 estimates were $55 million for the department. Have you a record there of what you actually spent?

Mr. PACK: No, I have not the final here with me this morning.

Mr. HALES: The estimates of 1964-65 were $55 million. What did you actually spend as against that? You estimated you would spend $55 million; what did you spend?

Mr. PACK: I do not have that information here this morning.

Mr. HALES: Well what I am leading up to is this. All departments are asked to estimate their expenses for the year. Do you always spend the total amount of money that you estimate you will spend, or do you spend less than what you estimate? If you spend more there would be supplementaries.

Mr. PACK: Yes, there would be. But, we do not spend the last cent; I think it is a matter of record that we have one of the best lapsing records of any government department, usually working in the area of around 2 per cent.

Mr. FULTON: How do you define "best"?

Mr. PACK: Best in terms of—

Mr. HALES: Could you supply me for each of the last five years how much lapsed? It is in the records and it would save me looking it up.

The CHAIRMAN: Mr. Hales, how much longer will you need for questioning.

Mr. HALES: I have to go; I have another meeting.

The CHAIRMAN: The point is that there may be some other members who have questions on this point. You mentioned that you would not be here on Thursday. If at all, we will just get a start on the statement of Dr. Harrison regarding water policy, and I should imagine that on Thursday we will be in that area completely. So, this general matter of administration probably will not come up for a couple of meetings.

Mr. HALES: Let me know when it comes up; I have a few more questions to ask.

The CHAIRMAN: I will let you know, Mr. Hales. I did not mean to interrupt you but I felt that if this line of questioning was going to continue there may be some other members waiting to ask questions. Another committee wants this room at eleven o'clock and would not want to hold it up.

If it is your wish, we do have almost ten minutes left and perhaps it might be expeditious at this point to hear from Dr. Harrison.

Before we do that I might say that Vote 85 was carried, subject to the right of supplementary questions when the map to which reference was made when Mr. Fulton was questioning Dr. Harrison is brought before the Committee.

Mr. FULTON: And, there is one other field, and it may have to wait until the Minister is here. I would like to pursue the question which Dr. Harrison indicated he could not answer firmly, where the authority for planning and co-ordination lies in respect of this polar continental shelf.

The CHAIRMAN: I would suggest, Mr. Fulton, that when we have completed this vote by vote analysis of the estimates we will have the Minister before us and perhaps that question might be properly directed to him at that time.

Now if it is in order we might call on Dr. Harrison to introduce this general area of water. I believe that he has some remarks that he would like to present to the Committee prior to the detailed discussion of the five votes involved.

Mr. HARRISON: Thank you, Mr. Chairman. I just wanted to make a very brief remark. The matter of water investigations in the Department of Mines and Technical Surveys, soon to be the Department of Energy, Mines and Resources, is a little bit confused in terms of estimates, and I though I might save you some questions by trying to outline the situation as it exists now.

The Department of Mines and Technical Surveys had, and still has, a very strong group concerned with the study of marine sciences, which is all aspects of oceanography in connection with the salt water and extending up to and including navigable waters within Canada such as, for example, the Great Lakes. This branch still remains with the department.

Last autumn we established within our department a water research branch which consisted of bringing together those parts of our department which were concerned with various aspects of water investigations and putting them into one branch or one consolidated administration. This took a group of people from the geological survey concerned with ground water geology, a group of people from our mines branch who were concerned with the water quality, the industrial waters group, a group from the geographic branch which were concerned with the study of glaciers, accumulation of glacier materials as potential sources of water and a group from marine sciences which were concerned with the measurement of waters in navigable streams and the Great Lakes, that part of the hydrographic surveys. These were combined into a water research branch.

Then at the end of the year, with the consolidation of water investigations into one department the Department of Northern Affairs and National Resources transferred to us in the Department of Mines and Technical Surveys a water resources branch. This branch is responsible for hydrometric surveys in waters anywhere in Canada where the need is felt, partly systematic and partly according to needs as they develop; it is responsible for carrying out investigations in such things as sedimentation, run-off and total water supply of Canada; also for acting as the Canadian agent for the administration of certain acts concerning water, and for advising on certain interprovincial and provincial-federal relationships regarding the conservation and utilization of water.

Now, in respect of your questions I suggest that those concerned with salt water marine sciences be directed to Dr. Cameron. If you have questions

concerning water resources as such, their utilization and availability, I would suggest that these be directed to Mr. Patterson, and if you have questions especially on the pollution of water and general questions on water as a material they should be directed to Dr. Prince, who is the director of the water research branch.

I might say that there is a investigation being conducted within the department now which presumably will make recommendations about the water integration and co-ordination of all aspects of the department's activities, also including these branches we have which are concerned with the water resources of Canada. I think that we now have a much better opportunity than we ever had before to make a first-class contribution towards the study of water in this country.

The CHAIRMAN: Thank you, Dr. Harrison.

Mr. AIKEN: Is the marine sciences branch, which was formerly with Mines and Technical Surveys, to continue as a separate unit or are all these water branches to be co-ordinated into one section of the department?

• (11.00 a.m.)

Mr. HARRISON: The marine sciences branch certainly will continue as a separate branch. I presume the others will as well, but it is quite obvious to me that one of the things we require is what might be classified as a Director General of hydrology, who would be responsible for integrating, co-ordinating and answering for all technical studies concerning water resources, whether they are fresh or salt water.

Mr. AIKEN: This has not been proposed at the moment?

Mr. HARRISON: I have proposed it, yes.

Mr. AIKEN: It has not been decided then.

Mr. HARRISON: No.

Mr. PETERS: How many other water branches that the special committee of the House studied last year have not been brought into your department? Have you got anything from the Department of Transport or anything from the Department of Public Works? How much relation do you have with the Great Lakes Commission?

Mr. HARRISON: The International Joint Commission?

Mr. PETERS: Yes.

Mr. HARRISON: The International Joint Commission operates under its own terms of reference. Mr. Patterson, acting director of the water resources banch, is one of the members of the Commission and reports to it; we provide data to the International Joint Commission for their studies.

Mr. PETERS: So did everybody.

Mr. HARRISON: Actually there are a great many different aspects of water investigations. We in this department are concerned with water as a physical resource; that is, in our direct scientific investigations.

Mr. PETERS: Let us put it this way: Have you taken over the measurement, the flow and depth of water in all the water systems in Canada?

Mr. HARRISON: Yes, sir. This has been consolidated in the department with the transfer to the department of the water resources branch.

Mr. PETERS: The Department of Public Works and the Department of Transport do not do this any longer?

Mr. HARRISON: I am not sure what measuring they do; perhaps Mr. Patterson could comment.

The CHAIRMAN: Mr. Patterson, could you come closer to the microphone, please?

It has been brought to my attention it is now two minutes past eleven and I think there is another committee waiting outside. If it is all right with you, Mr. Peters, we will stand this question over until the first question on Thursday.

On Thursday, we will be meeting at eleven o'clock and we will start with the question that Mr. Peters has asked of Mr. Patterson.

The meeting is adjourned.

APPENDIX 1

Grants awarded by National Advisory Committee on Geographical Research for 1966-67.

UNIVERSITY OF BRITISH COLUMBIA

Assistant Professor R. G. Golledge—Evaluation of supermarket sites in Vancouver as a theoretical treatment of the optimum location for stores and as an application of theories of marketing geography to the problem of location. $1,000

Professor J. R. Mackay—Movement of soil moisture in the active layer above permafrost, Mackenzie Delta area, N.W.T. $855

Professor W. H. Mathews—Behavior and effect of creeping snow, Mount Seymour, B.C. $700

Associate Professor M. A. Melton—Energy budget of a small watershed in British Columbia will be measured and related to sediment movement and quantitative geomorphic parameters. $2,000

Assistant Professor J. V. Minghi—The changing function of the Canada-U.S.A. boundary and its influence on the geography of adjacent areas. $400

Total $4,955

UNIVERSITY OF ALBERTA

Associate Professor I. Y. Ashwell—Studies of the city climate of Calgary with special reference to the dangers of air pollution under chinook conditions. $350

Assistant Professor M. R. C. Coulson—Analysis of the patterns of federal electoral boundaries in Alberta since attainment of provincial status. $550

Assistant Professor L. Hamill—Field and map study of a limited area of wildlands in Alberta to develop techniques for identifying and measuring the recreational potential. $500

Total $1,400

CARLETON UNIVERSITY

Assistant Professor D. M. Anderson—Patterns and problems of recreational land use in Eastern Ontario, particularly the Ottawa area. $500

Total $500

McMASTER UNIVERSITY

Associate Professor A. F. Burghardt—Early development of road sequences and patterns in the Niagara Peninsula and relationship to rise and decline of urban centres. $300

Assistant Professor D. C. Ford—Exploration, mapping and genetic studies of limestone caverns in the Canadian Cordillera and to produce a chronology of the caverns. $2,000

Total $2,300

UNIVERSITY OF TORONTO

Professor L. Curry—Probabilistic analysis of the climate elements at representative stations in Canada. $2,000

Total $2,000

UNIVERSITY OF WESTERN ONTARIO

Assistant Professor V. W. Sim—Quantitative observations on effect of fluvial and mass wasting processes on the Lake Erie shore-bluff and in adjacent stream channels south of London, Ontario. $800

Total $800

YORK UNIVERSITY

Lecturer I. A. Brookes—Geomorphological study of western coastal areas of Newfoundland to establish an absolute and relative chronology represented by the deposits and physical features. $1,250

Total $1,250

BISHOP'S UNIVERSITY

Professor W. G. Ross—Effect of American whaling on the Eskimos of Hudson Bay, 1850-1910. Library study in Ottawa and Montreal. $500

Total $500

LAVAL UNIVERSITY

Assistant Professor P. Cazalis—Geographical terminology of the Canadian agricultural landscape in collaboration with an international terminology being prepared by the International Geographical Union. $1,000

Total $1,000

McGILL UNIVERSITY

Assistant Professor F. C. Innes—Advance and retreat of rural settlement and occupation in the Rouge River Valley, Quebec. Part of a long-term study on colonization and agriculture in Quebec in collaboration with McGill's French Canada Studies Program. $1,650

Total $1.650

UNIVERSITY OF MONTREAL

Professor L. Beauregard—Structure of the business section of Montreal. Results to be published in special Expo '67 issue of La Revue de Geographie de Montreal. $2,000

Professor G. Boileau—Distribution and structure of the commercial function on the main thoroughfares and in the business districts of Montreal. Results to be published in special Expo '67 issue of La Revue de Geographie de Montreal. $2,000

Professor C. Manzagol—Spatial problems of industrial growth in metropolitan Montreal. $2,000

Assistant Professor G. Ritchot—Physical and human geography of Mount Royal, Montreal. $200

Total $6,200

UNIVERSITY OF SHERBROOKE

Professor J-B Racine—Geographical study of an urban fringe area of Montreal. Results to be published in special Expo '67 issue of La Revue de Geographie de Montreal. $2,000

Total $2,000

APPENDIX 2

DEPARTMENT OF MINES AND TECHNICAL SURVEYS

STATEMENT OF ESTIMATES AND EXPENDITURES

Fiscal Year	Total Estimates	Total Expenditures	Unexpended Balance	Unexpended Balance Major Items
1961-62	50,610,633.59	47,710,334.39	2,900,299.20	1,245,158 CSS Ship Construction
1962-63	51,861,195.48	50,676,888.34	1,184,307.14	
1963-64	50,453,263.94	47,178,704.52	3,274,559.42	1,488,524 Ship Construction 70,586 Seismograph Vault Construction
1964-65	54,769,922.29	51,985,803.25	2,784,119.04	75,000 Design Pacific Coast Institute of Oceanography 935,377 Ships & Launch Construction
1965-66	61,901,198.41	59,319,988.72*	2,581,209.69	447,746 Construction—Queen Elizabeth II Observatory 132,519 Queen Elizabeth II Observatory Telescope

* Subject to minor adjustment.

J. O. HUSSEY
Chief Treasury Officer

June 2, 1966.

OFFICIAL REPORT OF MINUTES

OF

PROCEEDINGS AND EVIDENCE

This edition contains the English deliberations and/or a translation into English of the French.

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LÉON-J. RAYMOND,

The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. RICHARD CASHIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

THURSDAY, JUNE 2, 1966

Main Estimates (1966-67) of the
Department of Mines and Technical Surveys

WITNESSES:

From the Department of Mines and Technical Surveys: Dr. J. M. Harrison, Acting Deputy Minister; Dr. W. M. Cameron, Director, Marine Science Branch; Mr. T. M. Paterson, Director, Water Resources Branch; Dr. A. T. Prince, Director, Water Research Branch; Mr. K. M. Pack, Director of Administration.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24445—1

STANDING COMMITTEE
ON
INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Richard Cashin

Vice-Chairman: Mr. Ovide Laflamme

and

Mr. Addison,
Mr. Andras,
Mr. Beaulieu,
Mr. Bower,
Mr. Choquette,
Mr. Code,
Mr. Davis,
Mr. Faulkner,
Mr. Forest,
Mr. Fulton,
Mr. Grafftey,
Mr. Hales,
Mr. Hopkins,
Mr. Latulippe,
Mr. Legault,
Mr. McCutcheon,
(Quorum 9)
Mr. O'Keefe,
Mr. Peters,
Mr. Reid,
Mr. Saltsman,
Mr. Scott (*Victoria (Ont.)*),
Mr. Wahn—(24).

R. V. Virr,
Clerk of the Committee.

ORDER OF REFERENCE

WEDNESDAY, June 1, 1966.

Ordered.—That the name of Mr. Legault be substituted for that of Mr. McNulty on the Standing Committee on Industry, Research and Energy Development.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

24445—1½

MINUTES OF PROCEEDINGS

THURSDAY, June 2, 1966.
(5)

The Standing Committee on Industry, Research and Energy Development met this day at 11.08 o'clock a.m., the Chairman Mr. Cashin presiding.

Members present: Messrs. Andras, Bower, Cashin, Davis, Fulton, Hopkins, Laflamme, Latulippe, Legault, McCutcheon, O'Keefe, Peters, Reid, Saltsman, Scott (*Victoria (Ont.)*), Wahn (16).

Also present: Messrs. Aiken and Haidasz, M.P.s.

In attendance: From the Department of Mines and Technical Surveys: Dr. J. M. Harrison, Acting Deputy Minister; Dr. W. M. Cameron, Director, Marine Sciences Branch; Mr. T. M. Patterson, Director, Water Resources Branch; Dr. A. T. Prince, Director, Water Research Branch; and Mr. K. M. Pack, Director of Administration and other departmental officials.

The Chairman called for a motion for an increase from 250 copies to 300 copies of the French Minutes of Proceedings and Evidence.

Moved by Mr. Andras, seconded by Mr. O'Keefe,

Resolved,—That the Committee increase the printing of its Minutes of Proceedings and Evidence, in French, from 250 to 300 copies.

The Committee continued its examination of the estimates of the Marine Sciences, the Water Resources and Water Research Branches covered by items 25, 30, 70, 75, 80 and the questioning of the witnesses.

Mr. K. M. Pack tabled a series of maps in response to Mr. Fulton's question of May 31, showing the delineation of the Polar Continental Shelf. These maps were labelled Exhibits 1, 2, 3, 4 and passed to the Clerk of the Committee for safe-keeping.

At 1.05 o'clock p.m. the meeting adjourned to the call of the Chair.

R. V. Virr,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

THURSDAY, June 2, 1966.

● (11.08 a.m.)

The CHAIRMAN: I see a quorum. The last day we met, Mr. Fulton asked some questions of the officials and they said that they would table the answers today. You have written answers to the questions; is that it? These answers will be tabled now. These will be included in the proceedings.

Then there is an answer also from Mr. Pack to questions that Mr. Hales was asking toward the end of proceedings last day.

There are also some maps here which were requested by Mr. Fulton, which I presume he will certainly want to see, and any other member of the Committee who wants to consult these maps may do so.

The distribution section has complained to us that 250 copies of French proceedings are insufficient and therefore, they request a motion that the Committee increase the printing of its Minutes of Proceedings and Evidence in French from 250 to 300 copies. Mr. Andras moves, Mr. O'Keefe seconds that motion. Are you ready for the question?

Motion agreed to.

I might say two things at the outset. The transcribing people would like to remind us that when we speak to speak clearly and distinctly—surely this is something we do not have to tell politicians into the microphone and to identify yourselves at the time you are speaking.

I might also say that it seems that in other Committees they have adopted the procedure of having a round of questions and that the committee was usually restricted to supplementaries that were really on the point. I have noticed, although it has not been much of a problem in this Committee, from time to time that certain members have indicated that they wanted to ask a question, but that another member on a supplementary really opens up another area of questioning, and it might be some time before this member who had earlier indicated his desire to speak gets around to speaking. So that I think for the orderly development of business in the Committee that, as you indicate your desire to ask questions, I will make a note here and call upon you in your turn. If there are any supplementaries the Chair will ask you that they be supplementaries strictly on the point, so as not to interfere with the rights of other members who have had their names in for some time. I think that that is the procedure generally adopted in other committees on these supplementaries.

The last day I believe we had completed the statement by Dr. Harrison; is that correct? Therefore, we have five votes generally dealing in the area of water, and it seemed to me that, as it was the wish of the Committee, the most

expeditious way to proceed with these five votes would be to call the first vote 25, but that the three responsible officials come and sit at the table here because there may be questions on the whole area that could be asked at the same time, and so that we perhaps might, by doing it this way, deal with these five votes together as a group. I do not have any list from the last meeting. We have heard Dr. Harrison's statement. Is it your wish now to question or would you like to carry these votes? Are there any questions of the officials?

DEPARTMENT OF MINES AND TECHNICAL SURVEYS

25. Marine Surveys and Research Administration, Operation and Maintenance including Canada's fee for membership in the International Hydrographic Bureau, $9,181,200.

Mr. FULTON: Mr. Chairman, in the House, about March 21, I received a return to a question I asked about how many branches or agencies the federal government, including crown companies, are engaged in the study and/or the control of the pollution, use, or disposition of the waters of Canada with respect to certain water, rivers and lakes, as distinguished from the ocean and sea. The consolidated return shows that there are fifteen such agencies, and they are listed as the Marine Sciences Branch, that is one; two, Water Research Branch, and three, Water Resources Branch, all of the Department of Mines and Techinical Surveys; four, Atomic Energy Control Board, which reports to the Minister of Mines and Technical Surveys; and five, the Prairie Farm Rehabilitation Administration that reports to the Minister of Agriculture; six, Department of Fisheries, and seven, the Fisheries Research Board of Canada, also the Minister of Fisheries; eight, the Forestry Branch that reports to the Department of Forestry; nine, the National Research Council which reports to the Committee of the Privy Council, on Scientific and Industrial Research; ten, the Public Health Engineering Division; and eleven, the Radiation Protection Division, both operate under the Department of National Health and Welfare; twelve, the Canadian Wildlife Service, operating under the Migratory Birds Convention Act; thirteen, the National Parks Service, both reporting to the Department of Northern Affairs and National resources; fourteen, the Atlantic Developmen Board and fifteen, the Marine Regulations Branch of the Department of Transport, both reporting to the Minister of Transport.

● (11.15 a.m.)

There are, I think, one or two agencies not listed. There is the International Joint Commission. I realize that it is not a branch or agency of a department of the government. Out of the fifteen that are listed, four only report to the Minister of Mines and Technical Surveys, or Energy, Mines and Resources, as he is to be. I would like to ask Mr. Patterson, therefore, whether any further co-ordination or consolidation between these various agencies is planned?

Mr. J. W. PATTERSON (*Department of Industry*): Mr. Chairman, I think with respect to pollution matters and the plans for co-ordination of studies on pollution, that the question might be better directed to Dr. Prince, who is co-ordinating pollution activities in our Department.

Mr. A. T. PRINCE (*Department of Mines and Technical Surveys*): The question I gather refers to the general co-ordination of activities, rather than specifically the pollution activities.

Mr. FULTON: That is correct?

Mr. PRINCE: I am not prepared to comment on the co-ordination of the work other than the matter of pollution. There is the Canadian committee on water pollution that has been established sort of jointly under the Privy Council and our Department. This committee involves the co-ordination of programs relating to water pollution among the federal government departments that are concerned, specifically the Fisheries Research Board, the Department of National Health and Welfare, the International Joint Commission, the associate committee on water pollution research of N.R.C., and at the present time we are conferring with representatives from the Ontario Water Resources Commission. This has to do with program co-ordination in the field of water pollution. In the broader sense that you introduced the question, I do not feel that I am competent, Mr. Chairman, to say what measures are being taken toward co-ordination of these fifteen or eighteen agencies involved.

Mr. FULTON: Can anybody?

The CHAIRMAN: Perhaps, Mr. Fulton, if the officials are not in a position to comment on that, this is a question that might be directed to the Minister himself when we return to Item 1 and have th the Minister back before us.

Mr. FULTON: Perhaps Dr. Harrison could give me some information in the interim.

The CHAIRMAN: Is there anything, Dr. Harrison, you could add to what has already been said?

Mr. J. M. HARRISON (*Assistant Deputy Minister (Research) Department of Mines and Technical Surveys*): I think perhaps, Mr. Chairman, I might be able to clarify a little bit of Mr. Fulton's question, in that the principal source of investigations on water in the broad field is consolidated in the Department of Mines and Technical Surveys. There are no specialized aspects of the utilization and investigations of water which remain with other departments, you have enumerated a good many agencies. Many of these are of such specialized character that I doubt whether there would be much purpose served in combining them within this Department; certainly, however, the work needs to be co-ordinated. The Department of Health, for example, is specifically charged with the matter of pollution as far as human consumption of water is concerned, whether it is safe and potable and so on. This will probably remain as part of their responsibility because they have the statutory obligation to look after this sort of thing. There is, however, close co-ordination between our people and the Department of Health, so that we can use facilities that they have available for certain investigation works, and they can use facilities which we have available to carry out certain of theirs. These could be multiplied many times but just to emphasize again, the main over-all problems of the water resources of Canada are now, I think, within the Department of Mines and Technical Surveys.

Mr. FULTON: Can you give us an idea of the approach that is being taken to the problem? What I have in mind is this, that various spokesmen for the government and for others, have stressed the necessity of following an approach somewhat similar to the approach that was taken in the field of energy, having in mind in that context the petroleum and natural gas and energy, as such, that resulted in the setting up of the National Energy Board. The idea was that we should make an inventory of Canada's potential supply of water, and an inventory of Canada's present and future needs, in so far as that can be done in order, to assist in working out a national water policy. Could you tell us whether, with the new consolidation so far as it has gone which you just mentioned, a beginning has been made on that sort of study?

Mr. HARRISON: I think Mr. Patterson can enlarge on that for you.

Mr. PATTERSON: Yes, Mr. Chairman, the water resources branch of the Department of Mines and Technical Surveys has the responsibility of conducting the hydrometric surveys across the country. The arrangements are in existence with all the provinces, with the exception of Quebec to conduct the hydrometric work, that is, the stream measurement and gauging work, in all of the provinces except Quebec. With Quebec we have a very good arrangement. We still carry out the responsibilities for national activities, work the navigation, and those responsibilities which the national government has, and Quebec does the actual stream gauging work on their power rivers for their own uses. They provide that data to us and we will continue to publish this data in our water resources papers which are available through the Queen's Printer, giving the information on the water resource all across Canada.

We are extending this coverage all the time into the more remote and northerly areas, and intensifying the coverage in those areas of the country where industry and population growth demand the need for more intensive information on the water resource. We are co-operating with the provinces in various areas and with respect to the northern slopes in Ontario, the waters flowing into James Bay and Hudson Bay. We are carrying out a co-operative study there under which we are increasing the gauging coverage and obtaining better and more records of the actual water that is available there. The province is conducting studies to determine what its future use for those waters may be, and at the same time we are conducting studies of diversion possibilities between rivers on the northern slope and between the northern slope and the southern slope, so that if Ontario does determine that it has more water than it needs on the northern slope and would be prepared to have part of its resource put into the great lakes system, we will know what can be done in that respect physically and what it may cost to do it.

Similarly, across the prairie provinces, in the Saskatchewan-Nelson basin, as you have heard from time to time, arrangements are at present being completed to conduct an extensive and intensive study of the hydrology and the water supply of the whole system there, and the possibilities of improving that supply by means of diversions from the Mackenzie River basin and its various tributaries.

We have made, and are at the present time, making extensive additions to the coverage in British Columbia. We have carried out a study of the Fraser River basin in co-operation with British Columbia and have improved the hydroelectric coverage of the drainage basin very extensively, and we did the same with the Columbia River basin in connection with the studies for the Columbia River Treaty. So we are carrying out co-operative studies with the provinces wherever there is an urgent need or the provinces wish our assistance in extending the coverage which we do provide.

Mr. FULTON: In connection with the study in Northern Ontario and the Saskatchewan and Mackenzie; is that last one, the Saskatchewan and Mackenzie, being studied jointly?

Mr. PATTERSON: These are possibilities for the diversion of Mackenzie River water into the Saskatchewan drainage system. This is to determine what could be done if it was found desirable to do it.

Mr. FULTON: Well, are those the only two studies at the present time, joint studies between federal and provincial governments that are currently proceeding? Is the Fraser River one finished?

Mr. PATTERSON: The Fraser River Board has completed its report on flood control and hydro power on the Fraser River but the hydroelectric coverage which was initiated in connection with that study is being continued and will provide very useful and necessary data for the multipurpose uses there are for water in that basin.

Mr. FULTON: Are there any other current studies? I do not mean the prospective potential; I am talking about now the availability of the resource. I do not mean pollution.

Mr. PATTERSON: We are working out at the present time an arrangement with the Atlantic Power Development Board and the provinces for a more complete hydrometric coverage of the Atlantic provinces.

Mr. FULTON: That is just in the discussion stage, is it or is there any work going forward?

Mr. PATTERSON: There is work going forward in the improvement of that coverage.

Mr. FULTON: Who takes the initiative, Mr. Patterson, in suggesting these studies? Is it the policy to wait until the province makes the suggestion, or does the federal authority have a look at the situation, and then come forward itself with a suggestion to the provinces that certain studies should be carried out?

• (11.30 a.m.)

Mr. PATTERSON: Well, there is not any fixed pattern in this, Mr. Chairman. On occasion the province may indicate a desire for some study in some area with respect to something of their knowledge that they realize is going forward. We, on our part, take the initiative with respect to various international studies that are carried out where there is an international problem.

Mr. FULTON: What I had in mind was is there a policy or a philosophy under which you are working that there is a responsibility at the federal level to initiate. You would have to have discussions with the provinces and it would have to go forward on a co-operative basis? I mean, is there anybody taking a

general look at the water resource problem of Canada and taking the initiative in suggesting and co-ordinating studies so as to make an inventory and know just what our position is?

Mr. PATTERSON: To the extent which our resources permit we look at the whole broad picture and where there is an area that we feel is not adequately covered or is very far from adequately covered, we do take the initiative to put in a station there which is a sort of key station for that particular area. As local requirements or provincial requirements expand we may develop a network associated with such stations.

Mr. FULTON: What I have in mind though, is this is a huge area and a huge problem. What I would like to get at is, has there been any planning given to the question of a progressive study starting at area A, and then moving as your resources permit, because you cannot do it all at once? I am aware of that, so that within a foreseeable time we will have made a survey of the whole of Canada with respect to its water potential supplies, and with respect to potential requirements. So that, say, after ten years, or fifteen years, or whatever would be feasible to contemplate, we will have completed a nation-wide study. Is there such a program?

Mr. PATTERSON: We are expanding the areas of coverage as rapidly as our resources in manpower and money will permit. The demands from provinces, from local areas, are currently so great that we cannot take an intensive program with respect to areas that will need to be covered in the future years. The federal government, of course, has a responsibility with respect to the territories and we are expanding our coverage in the territories.

Mr. FULTON: Would I be correct in saying then that that is being done at the moment in response to particular requests or demands or requirements and not on a planned basis, having as the objective that within a certain number of years we will have finished the whole of the territory of the Dominion of Canada.

Mr. PATTERSON: Not entirely, sir, but we are in that position where the current demands in particular areas in the country do require urgent attention and do interfere with a planned program moving across the county in a set pattern.

Mr. FULTON: But I would be correct in saying that there is not in existence as a matter of policy a progressive plan for the survey of the water resources of Canada.

Mr. PATTERSON: Not in a geographic fashion of moving across. We are trying to pick out from our own point of view those areas where we feel that records will be most useful and will be required at the earliest date. We are co-ordinating that sort of a program while answering the requests of the provinces and the general development across the country.

Mr. FULTON: You would not be in a position to, or would you, to say now, at this point in time, that next year we propose to carry out such and such studies, and the year after that so many others, and so on. Are you in a position now at this point in time where you can say that by the end of three years we shall have completed certain other studies, and then know where you will move from there, or is it primarily—and I am not criticizing; I am just

trying to get the picture—being initiated in response to either immediate requests from provinces or a judgment which you make at the time as to where you should next move? Is that the picture rather than it being an overall five year or ten year or staged plan of study.

Mr. PATTERSON: I think that the former more nearly answers what is actually taking place. It is impossible for us to lay down a five year plan or a ten year plan and adhere to that plan because new requirements are taking place well within areas that we at one time thought were adequately covered?

Mr. FULTON: It then would have to be flexible, I am sure that is the art of administration, but would it be feasible from the point of view of planning to work out such a staged program? It might have to be varied as questions arise.

Mr. PATTERSON: We do endeavour to lay down five-year programs but we have not been able to adhere to what we thought at the start of the five year program. It has had to vary with the demands that have arisen from other thoughts than our own.

Mr. FULTON: Do you have a five year program to which you are working, and have you revised it from time to time? Do you have a five year program?

Mr. PATTERSON: We are required in the Department in connection with our estimates—Treasury Board requires that we develop a five year program with respect to our expenditures on our work.

Mr. DAVIS: May I cut in, Mr. Chairman, in order to help to try and get the picture. First, even if you took measurements on all Canadian streams and rivers this year, could you say that you knew all you wanted to know about them, if you had sufficient resources to do this, or does it take decades before you really know what the resources are on any particular stream or river?

Mr. PATTERSON: That is quite correct. It takes years of records before you know what resource you have and the fact that we move into one area one year does not mean that you then leave that area and go to another. You have to keep the gauges that you instal and the meterings that you are making have to be continued.

Mr. FULTON: I am aware, Mr. Patterson—

Mr. DAVIS: Could I just ask the same question—

Mr. FULTON: Well, no, because I think we are just getting at cross purposes here. I am perfectly aware that you do not make a study and then say that is it, fixed and immovable for all time. You have to keep your study going, but I am talking about a program by which you would have taken the necessary steps to get information coming in all across Canada. Now, the steps which would have to be continued is a matter of practical administration. I realize you do not move into an area and move out. You put up stations and you put in measuring devices and then that information continues to come in and you revise from time to time as further information comes—I am not being stupid enough to suggest that you move in for a year and then you have done everything that has to be done in that area. I am talking about a forward moving program so that

by the end of a certain period you will have covered a certain area, put in your measuring devices, got a program going there, and can then turn your attention to starting that sort of thing in another area.

Mr. PATTERSON: We have a program and, as has been indicated, it is entirely flexible. We may be influenced, and are influenced, a great deal by the moneys which we eventually have voted in the House to carry out our program. We plan a program and develop estimates for that program and they go through several stages as the members of the Committee are aware, and they eventually get passage in the House. They may be very greatly reduced from the original planning, and if they are, we adjust our program. A few years ago the policy of the government was to curtail entirely any increase in expenditures. In the hiring of new additional staff, we adjust our program to fit that type of thing, and at the same time new areas of requirement are coming in from the provinces, and urgent requirements. The development of this Saskatchewan-Nelson study has been under negotiation for several years, it has eventually come to a head where we can proceed with the implementation of that study.

Mr. FULTON: With respect to such program as there may be, is it the responsibility of your board or branch to initiate it and make recommendations for a program? Would that come under your responsibility?

Mr. PATTERSON: This is with respect to our general work, or to such a study as the Saskatchewan—

Mr. FULTON: No; in so far as there is or should be a program of the type we have been discussing, is it under your area of responsibility to recommend such a program of progressive studies.

Mr. PATTERSON: We discuss this type of thing with the provinces. We have agreements for sharing the costs of the hydrometric work with the provinces, and the federal government only moves forward and actually instals gauges and initiates metering stations in areas and with respect to which there is a definite federal responsibility. In other areas where we are dealing with the provincial resource we discuss with the province, and usually the province comes forward and indicates they would like improved coverage on some river or stream. Then we endeavour to fit in their requirement with what would—

Mr. FULTON: In the council of resource ministers—they are going to have a conference this Fall on pollution. They are, I believe—interested in this type of program? Could we anticipate, for instance, that they might come up with a recommended program of studies of the water resources of Canada, or would the initiative in that field come from your branch?

Mr. PATTERSON: I think it might come either way, sir. The council of resource ministers and the secretariat of the council have been gathering data on the administration of the water resources across the country. There is in the talking stage a proposal for a conference or a symposium to deal with the water resources management program and a national water policy.

Mr. FULTON: Mr. Chairman, I would like to come back to this but I do not want to monopolize the discussion.

Mr. DAVIS: Could I just ask one or two other questions which are—

The CHAIRMAN: Are they supplementary?

Mr. DAVIS: —supplementary and are directed to this same area. Of all the epartments or branches in government which is the one which could be xpected to prepare an estimate, let us say, of Canada's total water supply, ough as this may be? Who would prepare that estimate?

Mr. PATTERSON: I would think it would be the water resources branch of he Department of Mines and Technical Surveys.

Mr. DAVIS: And this is obviously a very rough approximation which is efined as you get more data?

Mr. PATTERSON: That is correct.

Mr. DAVIS: Would it be right to say that in your surveys or in your neasurements you are carrying out functions similar to say the topographical urvey which is intensively covering certain parts of the country and very oughly others, but eventually will cover the country and eventually will have nuch better data. Is this the way it is—

Mr. PATTERSON: That is correct.

Mr. DAVIS: So that you have better information in some areas than in thers?

Mr. PATTERSON: That is correct.

Mr. DAVIS: You have rough estimates even in the gaps, if this is necessary.

Mr. PATTERSON: That is right.

The CHAIRMAN: Just a moment, Mr. Aiken, if you would, please. Before ome of you came in to the meeting today I did outline a suggested procedure vhich had been followed in some of the other committees which I have ttended, namely that there be a first round of questioning and those members vanting to ask questions at that time would so indicate to the Chairman, and he Chairman would permit supplementary questions which were directly on he point. But the wish of the Committee in all places was that the supplemen- ary questions be as concise and brief as possible so as not to interfere with ther memberse asking questions. So if you do have a supplementary on the oint, Mr. Aiken—

Mr. AIKEN: I do have a supplementary which will be very brief and to the oint but it may not be so easy to answer.

The CHAIRMAN: That is not your responsibility.

Mr. AIKEN: No. Mr. Patterson, I presume you are well aware of the NAWAPA plan, the North American Water and Power Alliance project that has ained a great deal of prominence in the United States, and is now being romoted in Canada by the Parsons Company. Your department is well aware f this plan.

Mr. PATTERSON: Yes, Mr. Chairman.

Mr. AIKEN: Is any action being taken to counter this proposal with a purely anadian development, a purely Canadian approach to such a vast water liversion scheme?

Mr. PATTERSON: I would suggest, Mr. Chairman, that a major action which is being taken along that line is this study of the Saskatchewan-Nelson river drainage basin. The NAWAPA scheme as it was presented by the Parsons Company held out great promise to the prairie provinces for added supply of water for that area. Under the Saskatchewan-Nelson study we will determine exactly how much water they do have in the prairie provinces, how much can be added from the close by tributaries of the Mackenzie River and whether there is any need to import water from the Yukon. I think this is a very necessary study. If it was ever decided to go ahead with the NAWAPA study, this study of the Saskatchewan River drainage is an essential thing in that much large scheme.

Mr. DAVIS: If you had more money available could more work be done or is it limited by personnel?

Mr. PATTERSON: This is with respect to the Saskatchewan River study?

Mr. DAVIS: The Saskatchewan-Nelson and the Mackenzie studies. I think all of us feel that there is a real urgency in this problem but that we must counter it in some way with a Canadian proposal. Would additional grants to your department, recommendations from this Committee, or some such thing, improve your situation or are we limited by personnel?

Mr. PATTERSON: Well, personnel to conduct these studies is going to be a major obstacle. The estimates which we have prepared for this current year were designed to carry out the work which we thought that could be accomplished in the year. Our estimates for the next year will to a partial extent, at least, be based on what progress we have been able to make this year and what there are in the way of personnel to carry out the study I do not know that additional funds in this year would help us get farther along with the study. We have not got our people into the field yet.

Mr. AIKEN: Thank you, Mr. Patterson.

Mr. DAVIS: Mr. Chairman, may I ask a supplementary precisely on this point.

The CHAIRMAN: A brief supplementary on this point?

Mr. DAVIS: Yes. There is an impression abroad that the NAWAPA scheme financed by the United States, and so on, has been a very intensive and thorough one; that it requires a massive number of manhours of staff to duplicate it or do anything like it; what is your impression of the degree of thoroughness with which the NAWAPA people went into their particular proposal?

Mr. PATTERSON: Well, my impression of that, and I think the Department people would agree, is that they have not made an intensive study, they have only looked at maps and from maps have indicated routes. They have not had people in the field. They do not know anything about the conditions other than one can tell from looking at maps.

Mr. DAVIS: In other words, this is the type of thing that your staff could do if it had to in a comparatively short period of time. I am begging the question whether you would ever do this, but if you had to do it.

Mr. PATTERSON: If we had to do it, yes. Mind you, I do not know how much money the Parsons people spent on developing the report that they prepared but they must have spent a considerable amount of money in developing it to the stage they have; but they did not scratch the surface in the matter of information required to determine whether the plan is feasible. I think they have indicated the engineering study would cost $200 million.

Mr. DAVIS: Would they have spent a few thousand or a million, or—

Mr. PATTERSON: They would have spent quite a few thousands of dollars, I would judge.

Mr. FULTON: You referred to the matter of shortage of staff, and so on. This is a—

The CHAIRMAN: This is supplementary, Mr. Fulton?

Mr. FULTON: Yes. This is a continuing problem; if you had authority in one body to co-ordinate all the other bodies doing research and study in the water resources field, then you would be able to considerably expand your own program, would you not? The National Research Council is listed in the return I got, and I see it reports to the Privy Council Committee on Scientific and Industrial Research. Well, let us take one example. If you could direct and co-ordinate the work of all these various bodies in the field, then you would be able appreciably to expand your work, would you not?

The CHAIRMAN: Dr. Harrison, did you—

Mr. HARRISON: Well, yes, I think it is safe to say, sir, that there is a general shortage of scientific and engineering capability in the country in all fields. It is also I think a truism to state that there are no hydrologists until they have been trained as hydrologists after graduation. So that to the extent that there is competition for people who are trained in hydrological investigations, whether they are on the research or applied side, if these were all concentrated in one department, I doubt whether it would change the total program of requirements for hydrologists. I think it is also safe to say that a good many of the agencies who are carrying out investigations in water are doing a specialized kind of investigation which has no impact, at least their cessation would have no impact on the number of hydrological engineers who might be made available to this department. I do think, however, sir, that we have the opportunity within this department, and I propose to pursue it in order to try and co-ordinate the various investigations that are being carried out in water research in Canada, and to have a systematic type of investigation which can be modified to suit the needs that may come up from time to time. The key point, regardless of whether they are all consolidated or diverse, is the extreme shortage of trained engineers and hydrologists to carry out a good many of these investigations.

Mr. FULTON: Dr. Harrison, I do not want to ask you to say what you think policy should be but I want to ask you if you can tell me whether there is presently a policy under which you are working with respect to this co-ordination of these areas, governmental bodies, who are working in the field of water study.

Mr. HARRISON: There are several policies in particular fields, sir. I think this is safe to say, many of which will be channelled through this department and presumably an over-all policy can be developed. To say that there is an over-all policy now I think would be exaggeration.

The CHAIRMAN: Have you concluded, Mr. Fulton? I have seven names on the first round of questioning, the first of which is Mr. Reid.

Mr. REID: One of the problems that bothers me, Mr. Patterson, is the so-called constitutional difficulties, with the provinces claiming control of water within their own bounds. Now, does this extend to border waterways?

Mr. PATTERSON: I wonder, Mr. Chairman, if I could get some clarification of the interpretation of border waterways? Is it a water like the Ottawa River which—?

Mr. REID: Well, something like that—the Ottawa River, say, Lake Erie, say Rainy River in my particular constituency, interprovincial waterways as well as international waterways.

Mr. PATTERSON: Well, with respect to international waterways, of course, the federal government has a specific responsibility. With respect to interprovincial waterways, the responsibility of the federal government, I do not think is as fixed as on international waterways. We recently completed a study of the Ottawa River basin in which Quebec, Ontario and the federal government joined and set up a board and carried out a study of the hydrology of the Ottawa River basin, but there was full recognition that these were provincial resources. The federal government had a responsibility with respect to the operation of the storage dams, and the headwaters of the Temiscaming dam, which it acquired many years ago.

Studies were underway with respect to the navigation of the Ottawa River and in that study there was consultation with the provinces with respect to the desirability of carrying out the study. On international studies the federal government initiates studies and in some cases, the provinces may be a part of the study, may co-operate in the study, or the federal government may carry out the study on its own.

• (12.00 noon)

Mr. REID: After the study has been done, say on an interprovincial river like the Ottawa River, and certain findings are made upon which action should be taken, who has the responsibility to take this action, the provincial government, the federal government? Is it possible for the federal government to, shall we say, encourage the provincial government to take speedier action than they might otherwise?

Mr. PATTERSON: I think they would encourage them, but whether or not the province would respond to the encouragement would probably be a decision on the part of the province.

Mr. REID: In other words, if we found there was serious pollution in the Ottawa River, the federal government can only discover this. Remedies are in the hands of the provinces?

Mr. PATTERSON: I think that has been the case up to the present time at least.

Mr. REID: What was the result of the study on the Ottawa River about which you were speaking?

Mr. PATTERSON: The report of the board has been filed with the government. It had to do with whether or not an improved system of regulation could be developed in the Ottawa River basin. The report is with the governments, and before it is tabled there has to be agreement between the three governments involved as to a date for releasing the report.

Mr. REID: I see. I would like to deal now with boundary waters and I have before me the Report of the International Joint Commission of the United States and Canada on pollution of Rainy Lake and Lake of the Woods. This came out in February, 1965. What authority does the federal government have to enforce the seven or eight recommendations that were made by the International Joint Commission? Do we have any power?

Mr. PATTERSON: I am not in a position, Mr. Chairman, to answer that question. Perhaps the Deputy Minister might be able to.

Mr. HARRISON: I am afraid not.

Mr. REID: I am concerned about this because the Winnipeg *Free Press* has been carrying a series of articles on pollution in northwestern Ontario and in Manitoba itself. What has been done since this report was filed in February 1965, and the situation existing now are not particularly encouraging. If it is the International Joint Commission which made the recommendations, surely then the federal government ought to have some responsibility ensuring that action was carried out. There has been a great deal of work done by the Ontario Water Resources Commission in putting pressure on the municipalities. There have been improvements made by the industries causing the greater part of pollution, but I do not think that progress is being made as quickly as is desirable in this case.

The CHAIRMAN: With respect to this statement of the officials whether or not they could give you an answer on that, if it is all right, the Assistant Deputy Minister might like to take that question as notice and perhaps refer to it at our next meeting.

Mr. REID: Yes. I would be happy or failing, perhaps Dr. Harrison or the Parliamentary Secretary might like to take a look at this as well.

The CHAIRMAN: Well, perhaps the answer to that particular part of your question dealing with the authority of the federal government could be brought up at our next meeting.

Mr. REID: Mr. Patterson, does the water resources branch have any authority in checking, or does it do any checking into the sewage disposal system of towns and cities?

Mr. PATTERSON: No, sir, not the water resources branch.

Mr. REID: This is purely a provincial responsibility.

Mr. PATTERSON: Yes, sir.

Mr. REID: One of the things that consistently comes up in all these reports is that pollution is a very expensive thing to deal with, very expensive to

correct. Are there any agencies of the federal government which do assist in planning facilities and providing engineering advice for towns that are polluting particular areas, or again, is this a provincial responsibility?

Mr. HARRISON: I think this is a question for Dr. Prince, Mr. Chairman.

Mr. PRINCE: Mr. Chairman, I think this is primarily in the field of provincial responsibility. There are agencies, or at least an agency, in the federal government that is qualified in this field, one of the agencies of the Department of National Health and Welfare. I think it is the public health engineering division. The manner in which they function I think is to be available as consultants to provinces, or perhaps to municipalities with provincial agreement. I think that where provincial agencies are adequate in this field this agency is not called upon to act to any extent but there is capability here if required.

Mr. REID: Does the federal government, Dr. Prince, do any research in the matter of industrial pollution? Or is this again carried on by the universities or by the provinces?

Mr. PRINCE: Yes, the federal government is moving into this field. I think in the past the public health engineering and the environmental health unit of the Department of National Health and Welfare have been concerned with the question of pollution in so far as it affects public health. Our own department has been involved in the question of industrial pollution through the work of our industrial waters section which is part of the water research branch, and this is a responsibility, which as you know, has been added to our department's requirements in the past few months, and we are endeavouring to gain capability as quickly as possible in this field.

Mr. REID: To what extent is your ability to gain capability in this field determined by the provision of staff and the money for research.

Mr. PRINCE: Well, this is a very critical aspect of the whole problem. The shortage of qualified people in the field of hydrology and I would say in the field of sanitary engineering and all aspects of water pollution is quite critical in the country. We are endeavouring to obtain permission to acquire additional staff if they can be found. We have a nucleus of people who are qualified in the field of industrial pollution but I feel that this is not adequate at the moment to cope with the responsibilities that have been added to our department.

Mr. REID: At what level is your salary scale? Is it high enough to encourage people to move into this profession, or is it just on a par with what is going on in industry?

Mr. PRINCE: I think that with the new rates that have been announced we are competitive; again the question of the restricted moonlighting, if I might use the term, has some bearing on one's total earning capabilities, but I feel that what the federal government has established along the lines of the levels of salary is for the moment at least competitive.

Mr. REID: To what extent do you keep up with the research being done on the problems of industrial pollution in European countries where I understand the problem is very serious, and in the United States?

Mr. PRINCE: Through membership of our scientific and engineering staff on international boards or, let us say, on United States organizations, we have substantial information on current developments in the field. I think, as far as North American coverage is concerned, we are quite well informed. As far as world wide coverage, European and so on, is concerned, we have not had too many opportunities in the past to find out what is going on over there.

Mr. REID: Why?

Mr. PRINCE: Well, largely because of responsibilities closer to home and I suppose opportunities to travel have been somewhat limited.

Mr. REID: Fine, thank you.

The CHAIRMAN: I just read my list. The next is Mr. Andras, followed by Mr. Peters, then Mr. Hopkins, then Mr. McCutcheon, and then Mr. Fulton again. Two of our questioners despaired and left, which may expedite matters somewhat.

Mr. ANDRAS: Mr. Chairman, my first question is somewhat parochial but it will help to define another area for me.

I recently directed inquiries to your department to see what could be done about a hydrographic or technical survey of Lake Nipigon. I was not successful in getting a favourable reply. Actually the purpose here, I think, was for the encouragement of tourism, for some commercial fishing and that sort of application. Because of the question of jurisdiction would this be more properly directed to provincial authorities?

Mr. PRINCE: This should be directed to Dr. Cameron, I believe, the naughty fellow who said no.

Dr. W. M. CAMERON (*Director, Marine Service Branch, Department of Trade and Commerce*): Mr. Chairman, it is my conviction that the development of navigational aids, whether they be for commercial or for recreational purposes, should primarily be in the hands of the federal government. Primarily, because the development of a high standard of charting can best be carried out by an organization that has established and maintains that standard and the responsibility of developing charts I think could well remain in the hands of the federal government on this account.

Mr. ANDRAS: Does Dr. Cameron mean both with inland as well as coastal waters?

Mr. CAMERON: That is right. Yes. Any navigable waters I feel, if we even go back to the concept of 1867, I think it was recognized at that time,—are obstensibly and appropriately a federal responsibility, and technical considerations I think confirm that. Now, we have to recognize that the demands for charts in this country, with all its tremendous waterways, far exceed the capability of any organization to meet them. We must establish in some way a system of priorities by which these can be carried out. If the dominion hydrographer was here I am sure he could enlarge on this. He is continually barraged by demands from many segments of the community, both commercial and those who are interested in developing a tourist industry. He is bombarded with these requests which are far and away beyond his capability or the

capability of his staff to meet, and it is only with a great deal of regret, sir, that he has to advise myself and eventually the Deputy Minister that in the present context this demand cannot be met with the facilities he has now available. We hope to develop as best we can an improved capability in this direction but I am afraid, sir, it will be many years before we can meet without any reservation all the requirements for increased charting in the country.

Mr. ANDRAS: Well, as far as that particular request is concerned, I was sympathetic to your problems, when I got the answer, but I was using it here in the context of jurisdictional definition. I was interested when at the beginning of your reply you said that it should be a federal responsibility. Does this suggest that it is not so defined clearly? Is there a lack of definition of federal and provincial jurisdiction in this matter? Is it sort of a muddy area?

Mr. CAMERON: No. I would say that there is no jurisdictional problem here, sir. I think it is a matter more deciding in which direction one should put the emphasis, whether to concentrate primarily on meeting demands of commercial requirements of transport as a federal responsibility or those demands which stem from recreational aspects. In this latter respect, I feel that perhaps the urgency of the former takes priority; that is, the importance of improving our charts in so far as they apply to commercial navigation.

Mr. ANDRAS: Has there been any new conference or negotiation or anything else, a really serious attempt to define that this particular aspect of hydrographic survey and so forth is provincial because of the application when it is done, and this is federal?

Mr. CAMERON: No, there has been no conference of this type nor has there been a suggestion that such a conference is required. I would say that on the part of the provinces there is a clear understanding that this is a federal responsibility. It is a matter on the part of the federal authorities to decide how to allocate their efforts to these various demands on their charting capabilities.

Mr. ANDRAS: Fine. Throughout this discussion this morning and again arising from the reply I got in that particular local request, the theme of the shortage of skilled staff, qualified staff, to carry out this what appears to be a colossal undertaking as it unfolds in the future, keeps arising. What is the source for trained personnel in this area?

Mr. CAMERON: The source is not very evident. Hydrography because of its very nature, demanding long periods away from home, is not proving an attractive occupation to those kinds of people whom we would like to attract; in other words, skilled engineers for which there is a tremendous demand. We have in the past few years attempted, and I think we are proceeding rather successfully, to recruit young men either from technical institutes with a certain amount of background in the fundamentals of surveying, or even from high schools, and effectively training them ourselves in this particular skill so that the source is not clearly definable. It is that wealth of young technical capability which we want to tap, unfortunately in competition with many other areas which are similarly trying to draw this capability into their own specialties. So,

as I say, we are depending now primarily on recruiting either young technologists out of technical institutes or graduates from high schools whom we can train in this particular facility.

Mr. ANDRAS: You would say that there is going to be a tremendous demand for such people, and this will grow for the foreseeable future, if we undertake all the things we would like to do in this field.

Mr. CAMERON: Right.

Mr. ANDRAS: Has there been any special thought given or effort made toward introducing special courses, for instance, in the technical schools and in the universities, specifically directed toward this career.

Mr. CAMERON: There are a few technical institutes that do actually emphasize surveying as a basic trade, and we are very anxious, of course, to draw from people who have had this special kind of training. However, in competition with other surveying activities, and in view of our high demand, we cannot rely exclusively on this source and we have to depend on non-trained people with an adequate background whom we train ourselves.

Mr. ANDRAS: Would it be accurate to say that even if a total plan were made, a theoretical approach to it were made, one of your chief handicaps would be the lack of qualified personnel to carry it out and until this is solved, it is going to be somewhat academic to approach it from a total concept. Just one final question then: Could you give us a general indication of where we stand in Canada compared to other western nations, United States for instance, in so far as progress is concerned in the study of our national water resources.

Mr. CAMERON: In respect of navigation you are saying?

Mr. ANDRAS: Yes.

Mr. CAMERON: I think it was estimated recently by our own staff that at our present rate of progress, with our present capability, it would take 55 years for us to chart for the first time to modern standards the navigable waterways of Canada. Now, this is to my mind is an unacceptable limit, and I have been doing my best, sir, to convince those in authority that our expansion must be of a magnitude comparable to the task. I think in terms of other countries, certainly the United States, we are sadly behind but this is not surprising because in terms of our population I would say that the length of our navigable waters exceeds far beyond the ratio of any country in the world. In fact, I would say that Canada has navigable waters that probably exceed in toto the length of navigable waters anywhere for any country in the world. Certainly the modest and rather, shall we say, uninteresting outline of the United States in respect to navigable waters is a very marked contrast, with what I would say is the challenging variety of our own, and I say it advisedly. The variety and its detail and its exasperating tendency to avoid co-operating with the surveyor, makes I think Canadian waters a particularly—

Mr. FULTON: The waters or the provinces?

Mr. CAMERON: The waters themselves. I am being very general in a physical way, Mr. Fulton. It is a tremendous job, one which is appropriate to a country of our size and future but one which we recognize as very challenging.

The CHAIRMAN: Dr. Harrison, you indicated you wanted to say something on this matter.

Mr. HARRISON: Just briefly, regarding this matter of trained people in hydrology, I should have mentioned earlier the universities and the technical institutes now are becoming very concerned about the proper supply of hydrologists, and there is a concerted effort afoot now to develop this capability in Canadian universities, the University of Waterloo, University of Guelph, University of Saskatchewan; all of these are initiating course in hydrology and hydro electric engineering, and probably they will be giving graduate courses shortly in these as well as the various technical institutes.

The CHAIRMAN: The next person on my list is Mr. Peters.

Mr. PETERS: Mr. Chairman, I would like to refer to one remark that was made in answer to a question of Mr. Fulton. In my opinion, since I have been here there has been no reduction in the estimates so far as the House is concerned. Therefore, the responsibility for the money that has been available for the department rests with this department rather than with the members of Parliament or with the acceptance of the country. I think it should be fairly clear that if the department asks for it, they have in my experience always received it, so that the responsibility, as far as the House is concerned, is theirs, not ours.

Mr. FULTON: I do not think we want to be unfair. There is an organization called Treasury Board which is answerable over-all to the cabinet and I think we should at least make that comment. I do not think the department as such—

Mr. PETERS: The remark was made that they always had to be careful of the House as such. I think that is really not true. I would like to ask what action has been taken on the report and recommendations made by the special committee of last year that made a study of the great lakes.

Mr. CAMERON: I think that as a part of the recommendations, at least a partial answer to the recommendations of that committee was the reorganization of the departments. I think one of the criticisms of the committee last year was the multiplicity of departments dealing with water matters, and subsequent to the committee's report, the government did come forward with a reorganization proposal under which, at least as far as I am concerned, I was shifted from one department to another in an effort to amalgamate and co-ordinate water studies that are being made. The study of the great lakes problem itself, of course, is proceeding under the International Joint Commission on the Canadian side with complete co-ordination of the various water interests and water agencies that are involved.

Mr. PETERS: Has there been any attempt to bring in the meteorological section, where one of the weaknesses was found to be the lack of information in terms of water resource as to rainfall, evaporation and long term forecasting?

Mr. CAMERON: Well, there is complete co-ordination at the official level and between the "met." service and the other water agencies. I am not aware whether any effort was made to bring the "met." service in to one of the other departments.

Mr. PETERS: I did not mean the whole section, just the reporting section. The proposition as we understood it was that it was very difficult to establish a pattern of why more water was not available in the great lakes basin in relation to rainfall and the amount of water going into the lakes. Has that information been put into a form in which predictions can be made by the water resources branch?

Mr. CAMERON: In the great lakes study, one of our committees does cover that feature and the "met" service has membership on that committee, so that the channels have been set for complete co-ordination.

Mr. PETERS: What were the results of the study that was taking place last year in terms of evaporation? Has there been any published papers as a result of that study?

Mr. CAMERON: I am not aware of any published paper. An evaporation study necessarily must extend over a period of years. The rate of evaporation varies with various meteorological conditions and studies to be useful must extend over a period of years.

Mr. PETERS: In general, what is the prediction for this year for the great lakes water level?

Mr. CAMERON: In March the outlook was very good and for some reason in April supplies cut off very sharply. May was somewhat better, but what the trend will be over the rest of the year, I do not know; we are still looking forward to an improved condition—

Mr. PETERS: Is it above or below the average?

Mr. CAMERON: Well, the lake levels are approximately, for the most part, average. The supply on some of the lakes has been above average; on some it has been about average.

Mr. PETERS: Is the report published yet of the study made in the restrictions made in the St. Clair River area?

Mr. CAMERON: No. There has been no report published.

Mr. PETERS: What is the progress of those studies? Have they developed a mock-up of the area for study, or are you going to put in the cement restrictions, or what is the situation?

Mr. CAMERON: The corps of engineers of the U.S. Army, which is the responsible body for placing these restrictions or underwater dikes in place, have studied on a model at Vicksburgh, Mississippi, a location of these underwater structures, but there has not been agreement between the U.S. and the Canadian officials on the amount of restriction that is required to counterbalance the excavation that was made for navigation purposes. The Canadian officials considered that the effect was greater than the U.S. officials have admitted or have agreed to. Pending the outcome of some agreement, the official exchange of notes between the two governments, why the construction of those structures has not been started.

Mr. PETERS: Is this being handled by the International Joint Commission?

● (12.30 p.m.)

Mr. CAMERON: A Canadian committee was set up to study the effects of the excavation that was made. This committee consults with U.S. side and there is an international co-ordinating committee for hydrologic and hydraulic data on the river. That committee has not agreed upon the flows that go through the St. Clair River and pending such agreement definite agreement cannot be reached on the effect that the excavation had.

Mr. PETERS: What about the studies that were taking place respecting the control of the St. Lawrence below Montreal in relation to the great lakes water level?

Mr. CAMERON: The study that is proceeding below Montreal with respect to improving the navigation channels there and the level of the Montreal harbour—

Mr. PETERS: I was not referring to the twinning, I am referring to the—

Mr. CAMERON: No. This is below Montreal.

Mr. PETERS: Yes.

Mr. CAMERON: —is being carried out by the Department of Transport. Of course, anything they do down there does not have an effect on the great lakes levels.

Mr. PETERS: Well it would, of course. If you do not need the water in Montreal harbour you do not have to let it out of Lake Ontario. You could use the dam which has never been operated since we built the thing. Is that not true? We have never used the dam.

Mr. CAMERON: The dam at Iroquois?

Mr. PETERS: At Iroquois.

Mr. CAMERON: It was used the other day. It has been used. You are quite correct; it is only rarely used. It does save the purpose of preventing flooding at Morrisburg in Lake St. Lawrence. But is is only rarely used and the other deduction that you have drawn that if these works were in below Montreal harbour and Montreal harbour levels were raised this would mean that Montreal harbour would not need to call upon the great lakes to supply water. This is probably the case. It might change the pattern of release of water from Lake Ontario to some extent.

Mr. PETERS: Well, is you branch in co-operation with the Department of Transport then in carrying on this feasibility study of control below Montreal?

Mr. CAMERON: The study below Montreal is being carried out by the Department of Transport.

Mr. PETERS: To what extent is it progressing? What is the progress of that study?

Mr. CAMERON: I cannot pretend to be an authority on what they have done or what they have not done. They have had models of different reaches of the river, and they are at the present time down at N.R.C. preparing a model which will extend all the way from Montreal harbour down to, I believe, as far as Quebec city. Presumably on the result of the test they get through the utilization of that model they will come to a decision on what works may be required that whole reach of the river to meet what they need.

Mr. PETERS: One last question. You mentioned that there was a study done on the upper and lower Ottawa water basins on a joint basis between Ontario and Quebec. Did the federal government co-operate in this?

Mr. CAMERON: Yes, sir.

Mr. PETERS: You mentioned that the report is not published or available yet.

Mr. CAMERON: That is correct.

Mr. PETERS: How soon do you expect it?

Mr. CAMERON: I will not pretend to set a date, but I think it is imminent that agreement will be reached between the three ministers concerned, one from each of the two provinces and my own Minister, to table the report.

The CHAIRMAN: I might just say that we have gone over our time a little bit but I am in your hands in that matter. I think I should bring to your attention two things. We have on the first round of questioning Messrs Hopkins, McCutcheon and O'Keefe. I have been advised that taking place just about at this moment is the traditional hanging of the Speaker's portrait in the railway committee room followed by a reception. It is almost twenty to one. Is it your wish that those who wish to attend this ceremony do so, and others of us continue and proceed with the first round of questioning or do you wish at this time to adjourn? I do not know how long the questioning will be of Messrs Hopkins, McCutcheon and O'Keefe. You just have one question. Yours is very brief. How about you Mr. Hopkins? Yours will be a more extensive.

Mr. HOPKINS: Well, I do not think so.

The CHAIRMAN: If some of the others wish to attend that ceremony, we could continue with these three questions. We could then complete the first round of questioning. Is that all right? Well, then Mr. Hopkins, you are first on the list.

Mr. HOPKINS: I gather from the earlier discussion between Mr. Fulton and Mr. Patterson that there has never been any discussion at a federal-provincial level, for example, a federal-provincial conference on water surveys in Canada, or research into Canada's water resources?

Mr. PATTERSON: Do I understand, Mr. Chairman, that this is with respect to a complete conference between all provinces and the federal government?

Mr. HOPKINS: That is right.

Mr. PATTERSON: —between the federal government and individual provinces.

Mr. HOPKINS: No. A federal-provincial conference on water resources in Canada, even in part.

Mr. PATTERSON: Well, I think the "resources for tomorrow" conference in Montreal did cover water resources as one of the resources, and all provinces and the federal government were associated in that.

Mr. HOPKINS: To what extent did they go in to it at that time?

Mr. PATTERSON: Well, papers were prepared. As a matter of fact, I presented a paper on water management. All this was covered in the various

provinces and the federal government and the various agencies concerned. This was done after consultation with representatives of the various provinces to get a complete coverage of the agencies in those provinces that had responsibility in some field of water management or water survey.

Mr. HOPKINS: Is there any discussion or are there any plans in the making now that would indicate that water resources in Canada will be a topic at any future dominion-provincial conference.

Mr. PATTERSON: The Canadian council of resource ministers have plans afoot at the present time. The secretariat is preparing material covering the water activities across the country and the council, I believe, has plans for looking into this matter further.

Mr. HOPKINS: Throughout this discussion, reference has been made to costs of operating the Department in regard to research of this type; has any estimation ever been made of the cost of a program that would give us an accurate survey of the water resources in Canada?

Mr. PATTERSON: No; I do not think there has ever been an over-all cost prepared and this is a very difficult thing to arrive at. The costs of operation in the north, of course, are much greater than in the populated areas of the country. Costs in different areas and under different conditions vary greatly. I recall that when we installed a gauge on the Churchill River, in Labrador, in Newfoundland, I think it cost us $57,000 to install that one gauge. I also recall that a gauge we required be placed on the Niagara River by the power entities cost them $110,000. Then in some areas where you install a staff gauge, the labour involved in installing that is very small indeed. Automatic gauges, of course, run around possibly $500, just the instrument that you put in, but the installation of it in these out of the way places. It may be in rock; it may be in earth, and you may have to channel very deeply and run your intake pipe a considerable distance out into the water where the range and stage are very great.

The CHAIRMAN: I am sure, Mr. Patterson, that money spent in Newfoundland and Labrador could not be better spent.

Mr. HOPKINS: Which brings me to a thought which is very close to my heart. I would suggest that there is another place where it could be very well spent and that is in the Ottawa valley. In this recent survey or study into the Ottawa River basin, does this study include the possibilities of navigation of the Ottawa River?

Mr. PATTERSON: No. With respect to the possibility of canalizing the Ottawa River, no such study was made.

Mr. HOPKINS: The main purpose of this study into the Ottawa River basin I presume is on pollution, is it?

Mr. PATTERSON: No, sir. The main purpose was to ascertain the amount of water that is in the basin, that nature supplies to the basin, and a better method of regulating it for the various purposes that the water might be used.

Mr. HOPKINS: Earlier in the discussion the NAWAPA scheme was mentioned. Is the NAWAPA scheme not American born?

Mr. PATTERSON: That is right. It was conceived by the Parsons Company of Los Angeles.

Mr. HOPKINS: You have recently, I believe, had requests from the Upper Ottawa Valley Tourist Association and the Eastern Ontario Development Association and others requesting charting of the Ottawa River. What stage is it at now? Is there a possibility this is going to happen? Is there any indication this is going ahead?

The CHAIRMAN: Dr. Cameron.

Mr. CAMERON: Mr. Chairman, the same situation applies to the charting of the Ottawa River as did to the earlier question of Lake Nipigon: A tremendous backlog of demands of various types extending from various sources, and completely inadequate staff, I am afraid I will have to suggest that certainly for the foreseeable future it will be difficult to embark on a charting program on the upper Ottawa.

Mr. HOPKINS: One last question. I notice in the discussion on the water levels in the great lakes, and also mentioning the NAWAPA scheme, nothing was said about the possible recycling of water from James Bay into the Ottawa River. I understand that there might possibly be some people in the department who are favourable to this, and some who are not. Could I hear some of the objections to this particular scheme at this time?

The CHAIRMAN: Is that all, Mr. Hopkins?

Mr. PATTERSON: Mr. Chairman, this is the scheme referred to as the grand canal—

Mr. HOPKINS: That is right.

Mr. PATTERSON:—which has received a great deal of publicity and stimulates a great deal of opposition as to its feasibility.

Mr. FULTON: Just for information, is that the scheme with which an engineer by the name of Kierans was identified?

Mr. PATTERSON: Kierans, yes, sir. I have talked to a great many engineers with respect to this scheme. I think possibly I am one of the more moderate ones, in those who condemn the scheme as feasible. I am prepared to concede, and I am speaking personally, that at some time in the future there may be some merit in this proposal, but I cannot see the merit in plunging into it at the present time. I think that the government has taken the needed and essential steps which will in the long run contribute to a knowledge of any merit this scheme may have, in that on the great lakes study that is going forward under the International Joint Commission, efforts are being made to devise a method of controlling the levels of the great lakes as nature provides the supply. Certainly in the past we have not had such a control just dealing with nature's supply. In 1951-52, there was tremendous damage created around the Great lakes, hundreds of millions of dollars worth of damage property destroyed, and in 1964 we had very low waters and nothing could be done about it to remedy the situation.

Studies are being made to determine what structures and what improved channels would be required to maintain those lakes within acceptable levels. It was just about a month ago on Lake Erie, which is now only at about average level, that tremendous damage was reported along its shores owing to high winds. If more water is added into the great lakes system and water in the capacities that Mr. Kierans proposes in his grand canal scheme, unless there are measures and there is the know-how to handle that additional water, there is going to be a great deal more damage during high water periods because of the difficulties of getting rid of these huge quantities of water when they accumulate in the lakes.

It does not take much to increase damage at highwater time, and the federal government is faced at the present time with this Duck Dam case on Lake Ontario where a dam which was placed in the St. Lawrence River back about 1904, according to international studies, raised the level of Lake Ontario between three and four inches. After a great deal of international discussions and what-not, the matter is going to arbitration for something in the order of $11 million worth of damages. At one time the damages claimed were much greater than that.

To put the additional quantities of water that are spoken of into the great lakes system you very definitely have to have means of getting rid of it, so that you do not create even an inch or two of additional level on the lakes at times of high water. To get rid of that water, if you consider the outlet of Lake Huron, you have to provide channel capacity all the way down the St. Clair River through Lake St. Clair, through the Detroit River, and in doing that you get that excess water into Lake Erie, but Lake Erie cannot take the water. It is a much smaller lake than Lake Michigan or Huron, and you have got to provide channel capacity to get it out of Lake Erie and down the Niagara River, and then you get it into Lake Ontario.

Lake Ontario at the present time is under control, but the control and the channels have all been designed on the basis of the water that has been in that basin over the past hundred years. Channel excavation has been carried out to provide a velocity which navigation can accept. If additional water has to be disposed of, in order to prevent flooding conditions above, why the navigation channels or other channels have to be provided to get that water out of the lakes at a rate of flow that will not create velocities harmful to navigation. So it goes on all the way down the river. You have to protect against the damage to the foreshore interests and to the navigation interests and to all the interests that are involved. That is an essential part of any idea of bringing additional water into the Great Lakes system and that study is going forward.

Another study that is going forward is the combined study with Ontario on the waters on the northern slopes of the waters flowing into Hudson and James Bays. Ontario may find that it does not require all that water; even looking a hundred or two hundred years into the future, that it will not require all that water. It may be prepared to divert additional water as it has done with the Ogoki and Long Lake waters with 5,000 c.f.s. There may be other waters that can be diverted into the great lakes with a minimum of expenditure. This will be a decision for Ontario to make after that study is made. If there are

uch waters available, why let them go all the way down to James Bay and ıen pump them back up. Everyone admits that it takes more power to pump ıe water back up than you get out of it letting it go downstream, and power ould be one reason for letting it go down.

The proposal for a navigation canal to Hudson Bay to my mind is not a asible proposal in that there certainly is no traffic at the present time that ould warrant that; the navigation season is so short. We have Fort Churchill ı Hudson Bay and it is open to navigation three to four months of the year. A ınal through northern Ontario would freeze up early and stay frozen late. I do ɔt foresee the economic necessity of a canal through there. Mr. Kierans boils .s proposal down to the export, the selling of some of this water to the United tates. This is a policy matter that the government will have to decide, whether desires to sell water to the United States of whether it does not.

(1.00 p.m.)

The CHAIRMAN: Mr. Hopkins, are you—?

Mr. HOPKINS: Mr. Chairman, I will not question farther because I know veryone wants to leave. We are well overdue now.

The CHAIRMAN: You have one further question. No. I see. Mr. McCutcheon.

Mr. MCCUTCHEON: Thank you very much, Mr. Chairman. I would like to ave one matter clarified for me. I get the impression that there is some little ɔubt about where these programs are instigated, whether the federal depart- ents should be doing more or wait until the provinces do something. I am ɔing to skirt that. It will probably come up at another time and I will only fer to places where the federal departments are involved. My first question, ıd it is a direct one, has to do with Lake Erie. I would like to direct it, I elieve, to Dr. Prince. My question is simply this. Is the lower end of Lake Erie st?

Mr. PRINCE: Mr. Chairman, I assume that the question refers to the loss to ɔllution.

Mr. MCCUTCHEON: Right.

Mr. PRINCE: I think the lower end of Lake Erie is somewhat impaired; I do ɔt think that it is in as bad shape as the western basin, the upper end. The uestion of it being lost for all time is one that we do not know the answer to. ertainly, some of the pollution constituents that have got into the lakes over ıe past decade of two are likely to remain with us for many years to come. The uestion of direct flushing out by flow is a complex matter of dilution, and if ıe could hope that in a year or two that it would take to drain Lake Erie at its esent rate of flow, one could replace the water completely, I am afraid that ıis would not occur because of mixing and further dilution. Where the diments are affected by certain constituents there, there appears to be some xchange between the gluten sediment mixture in the bottom and the waters in rather complex manner that is not fully understood. If I were asked for my ɔinion regarding the lower basin of Lake Erie I would say that it is moderately adly impaired but is not comparable to the western basin to the west of Point elee.

Mr. McCUTCHEON: Thank you very much. Mr. Chairman, when is your next meeting of this Committee? I wonder if, in fairness to all the rest we should adjourn.

The CHAIRMAN: You are about to say that we might call it a day. Yes. It is one o'clock, and the officials have been here a long time. At the next meeting you will start off the questioning. We have meetings now scheduled for the 14th and 16th of June and the 21st and 23rd of June. I do not have any meeting scheduled next week and the reason for it is that the days were just booked solidly for next week. Next week there are four meetings at all the times nine-thirty and eleven. We do not have permission to sit when the House is sitting, but even if we did I do think that the schedule is such next week that it would be very difficult.

I have asked Mr. Deachman to try and fit us in to one of those time; maybe one of the other committees may drop out or something, but the definite ones are the 14th, 16th, 21st and 23rd. I do not know whether it will be at the nine-thirty or the eleven o'clock time. The only other possibilities for next week, because I think that members probably would like to continue as soon as possible, is if we sat on a Monday or Friday or at the one o'clock hour, and I thought with that in mind Mr. McCutcheon, we might have a steering committee meeting. That does not seem to meet with too much response, but I think it is something we might discuss maybe later today, Mr. McCutcheon; we could have a meeting on that.

I would like to thank the officials for their patience in staying with us for the extra half an hour today and for their very informative answers and their references to Canada's first province.

The meeting is adjourned.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. RICHARD CASHIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

TUESDAY, JUNE 14, 1966

Main Estimates (1966-67) of the
Department of Mines and Technical Surveys

WITNESSES:

From the Department of Mines and Technical Surveys: The Honourable J.-L. Pepin, Minister of Mines and Technical Surveys; Mr. J. P. Drolet, Assistant Deputy Minister (Mines); Mr. T. M. Patterson, Director, Water Resources Branch; Dr. A. T. Prince, Director, Water Research Branch; Mr. E. W. Humphrys, General Manager, Northern Canada Power Commission and other departmental officials.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24447—1

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Richard Cashin

Vice-Chairman: Mr. Ovide Laflamme

and

Mr. Addison,
Mr. Andras,
Mr. Beaulieu,
Mr. Bower,
Mr. Choquette,
[2]Mr. Code,
Mr. Davis,
Mr. Faulkner,
Mr. Forest,
Mr. Fulton,
Mr. Grafftey,
Mr. Hales,
Mr. Hopkins,
Mr. Latulippe,
Mr. Legault,
Mr. McCutcheon,
Mr. O'Keefe,
Mr. Peters,
Mr. Reid,
Mr. Saltsman,
Mr. Scott (*Victoria (Ont.)*)
[1]Mr. Wahn—(24).

(Quorum 9)

R. V. Virr,
Clerk of the Committee.

[1]Mr. Langlois replaced Mr. Wahn on June 9, 1966.

[2]Mr. Sherman replaced Mr. Code on June 14, 1966.

ORDERS OF REFERENCE

FRIDAY, June 3, 1966.

Ordered,—That the Items listed in the Main Estimates for the fiscal year ending March 31, 1967 relating to the National Research Council including the Medical Research Council, be withdrawn from the Committee of Supply, and referred to the Standing Committee on Industry, Research and Energy Development, saving always the powers of the Committee of Supply in the voting of public monies.

Ordered,—That the Standing Committee on Industry, Research and Energy Development be empowered to consider the subject-matter of the designated area programme criteria thereunder.

THURSDAY, June 9, 1966.

Ordered,—That the name of Mr. Langlois (*Chicoutimi*) be substituted for that of Mr. Wahn on the Standing Committee on Industry, Research and Energy Development.

TUESDAY, June 14, 1966.

Ordered,—That the name of Mr. Sherman be substituted for that of Mr. Code on the Standing Committee on Industry, Research and Energy Development.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

24447—1½

MINUTES OF PROCEEDINGS

TUESDAY, June 14, 1966.
(6)

The Standing Committee on Industry, Research and Energy Development met this day at 1.10 o'clock P.M., the Chairman, Mr. Cashin, presiding.

Members present: Messrs. Andras, Bower, Cashin, Code, Hales, Laflamme, Latulippe, McCutcheon, O'Keefe, Reid, Saltsman, Scott (*Victoria (Ont.)*) (12).

Also present: Mr. Aiken, M.P.

In attendance: The Honourable J.-L. Pépin, Minister of Mines and Technical Surveys; Mr. J. P. Drolet, Assistant Deputy Minister (Mines); Mr. T. M. Patterson, Director, Water Resources Branch; Dr. A. T. Prince, Director, Water Research Branch; Mr. E. W. Humphrys, General Manager, Northern Canada Power Commission and other departmental officials.

The Committee continued its examination of the estimates of the Marine Surveys and Research Branch.

There being no further questions items 25 and 30 were carried.

The Chairman then invited questions on the remainder of the items pertaining to Research and Investigations on Water Resources—items 70, 75 and 80. Information on Sea-Ice Surveys is contained in this day's Minutes of Proceedings and Evidence. (*See Appendix 3*)

Items 70, 75 and 80 were carried.

Note 1. Booklets entituled Sea-Ice Survey, Queen Elizabeth Islands Region, Summer 1962 and Gulf of St. Lawrence Ice Survey, winter 1962 were tabled, identified as Exhibits 5 and 6, and passed to the Clerk for safe-keeping.

The Chairman called item L-40—advances pursuant to the Atlantic Agreements entered into pursuant to the Atlantic Provinces Power Development Act.

Item 15 was carried.

The Chairman called item L-40—advances pursuant to the Atlantic Provinces Power Development Act.

Item L-40 was carried.

At 2.15 o'clock p.m. the meeting adjourned to the call of the Chair.

R. V. Virr,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

TUESDAY, June 14, 1966.

The CHAIRMAN: Gentlemen. I may say at the outset that I apologize for the meeting being at one o'clock. As you know, I was not here for a while last week and it was my understanding when I left that we had the eleven o'clock hour. However, I was informed by my secretary on Thursday that we did not; we were scheduled for one o'clock. I do not know the reason for this change, and I am a little annoyed about it because ordinarily if wer were going to sit at one o'clock it would seem proper to me to inform the committee in advance and get their views on it.

However, I was in touch indirectly with Mr. McCutcheon and it was agreed that we would attempt to assemble the members today so that we could proceed with this meeting. At the end of this meeting we can decide whether we will sit again at one o'clock on Thursday. In the meantime we will certainly try to get a better hour for Thursday. We do have better hours for next week. So again I apologize for that and also to the officials. I know some committees have sat at one o'clock and I suppose there is nothing wrong with that except it seemed to me if we were going to sit at that hour we ought to have the opportunity beforehand to decide amoung ourselves that we wanted to do this.

Now, at our last meeting we were questioning generally on the votes in connection with water policy, and I am not sure whether Mr. McCutcheon had concluded the first round of questioning. There was one other gentleman who had questions on water policy, namely Mr. O'Keefe, who will be here later.

Mr. MCCUTCHEON: Mr. Chairman, I was in the middle of my questions on the first round when we adjourned.

The CHAIRMAN: Would you like to continue?

Mr. ANDRAS: Are we dealing with vote 25?

The CHAIRMAN: No. For the sake of expediency, we called all of the officials concerned in the area of water policy together so that we could question them. we have had one full day of questioning on this. So if it is your wish before the day is over to pass some of those votes, that is the ones on which the members have had a full opportunity to ask questions, and just continue on with some of the specific votes, that would be completely in order.

You were questioning on votes 75 and 80, I believe, is that right?

Mr. MCCUTCHEON: There are also a few questions I would like to ask under vote 80.

The CHAIRMAN: I might just bring this to the attention of the committee now. It seems to me that votes 25 and 30 are in a slightly different area. This is

the part of water which has always been in Mines and Technical Surveys. If it is the wish of the committee to do so, we could vote on these two items now, and continue our questioning on the water research branch and water resources branch which seemed in the past to have generated a considerable amount of questioning. If there are no further questions on votes 25 and 40, we could call these now. Is there anyone here who has further questions on these votes?

Mr. ANDRAS: Mr. Chairman, did you say we were going to go on with something which will permit questions on water research?

The CHAIRMAN: Water research and water resources. If we pass votes 25 and 30, this will not preclude us from questioning the officials on the other area. Secondly, of course, if at some later date, between now and the conclusion of our meeting, somebody has further questioning which will be directed to votes 25 and 30, this can certainly be done when we return to item 1. So is it your wish to pass votes 25 and 30 at this time?

Items 25 and 30 agreed to.

We shall now proceed with votes 70, 75 and 80 together as we have been doing, and I believe Mr. McCutcheon was questioning Dr. Prince.

> 70. Administration, Operation and Maintenance including Canada's share of the expenses of the International Executive Council, World Power Conference, authority to make recoverable advances in amounts not exceeding in the aggregate the amount of the shares of the Province of Manitoba and of the Province of Ontario of the cost of regulating the levels of Lake of the Woods and Lac Seul and the amount of the shares of provincial and outside agencies of the cost of hydrometric surveys, and $50,000 for Grants to Universities for Hydrologic Research, $5,609,000.
>
> 75. Construction or Acquisition of Buildings, Works, Land and Equipment including authority to make recoverable advances in amounts not exceeding in the aggregate the amount of the shares of provincial and outside agencies of the cost of hydrometric surveys, $1,106,000.
>
> 80. Contributions to the provinces towards the construction of dams and other works to assist in the conservation and control of water resources in accordance with agreements entered into between Canada and the provinces, $10,715,000.

Mr. MCCUTCHEON: Yes, Mr. Chairman, thank you very much. As a matter of fact, if my memory serves me correctly, I had asked Dr. Prince if the western end of Lake Erie had been lost through pollution and I believe, and I hope the doctor will correct me on this, that the story which he gave us was that it was not irrepairably gone, but that it conceivably and quite likely never would be back in the condition it once was. Is this correct?

Dr. A. T. PRINCE (*Director, Water Research Branch, Department of Mines and Technical Surveys*): Yes.

Mr. MCCUTCHEON: Now, since that time a statement has appeared in the press by a director of the Detroit River and Lake Erie Joint Commission stating that the United States side of the river will be cleaned up by 1970. Do you agree?

Mr. PRINCE: Well, I think it is possible for it to be cleaned up by 1970, Mr. Chairman. Whether it will be or not, I do not know. Even if it is cleaned up, there is still the inherited pollution which already exists in the western basin of the lake. This is something which I do not think we can expect to be dispensed with without considerable passage of time.

The clean-up of pollution is going to be an extremely costly and an extremely slow operation. I think in certain areas of pollution on the industrial side the question of clean-up is not fully understood with regard to what can and what cannot be done. The problem as compared to the cleaning up of normal sanitary effluence, sewage, and so on, is fairly well established. However, where certain industries are creating pollutants of an unusual type, this throws it really into a chemical engineering operation which is very costly and for which perhaps some of the parameters are not even known at the present time. No pollution abatement procedure is 100 per cent effective; a certain amount is always bound to get by in the process. So it is a complex problem and, to a considerable extent, we do not know all the answers to this area at all. This is one of the things we are hoping to study quite intensely over the next few years.

Mr. MCCUTCHEON: Doctor, might I ask further, what does the director mean when he says the United States side of the river will be cleaned up? Does this mean then that they will not be putting in pollutants? And does it mean that with no more pollutants added, the western end of Lake Erie, through course of nature, will eventually clear itself?

Mr. PRINCE: I think this is what he means, and I hope he is right. I think again, if I can come back to it, that if one establishes certain minimum tolerances for pollution, this may be the target toward which they are working for 1970. I hope that whatever the minimum water quality standards are, that these will be effective in achieving what they hope will be the case, that it will abate and allow restoration to occur by natural processes. I think this will take many decades in order to be fully effective, if ever.

Mr. MCCUTCHEON: Would you care to comment on what steps the United States municipalities, et cetera, are taking on their side as compared to what we are doing over here?

Mr. PRINCE: Well, if I were to comment on it, Mr. Chairman, I would not be fully fortified with the knowledge of what the specific municipalities are doing over there. I really do not know.

Mr. MCCUTCHEON: Are they ahead of us?

Mr. PRINCE: In my view they are not ahead of us, looking at the southern lobe of Ontario as a whole. I think their tremendous concentration of industries there as compared to ours presents problems of a totally different order of magnitude. I believe there are a few soft spots on the Canadian side, not far from Detroit, which are being looked after, I think, as expediently as possible. I think further up the river our petrol chemical industries are doing quite a remarkable job of pollution abatement. These are essentially new plants designed to cope with this sort of thing.

The province of Ontario has very definite views and enforcement privileges in the establishment of abatement work before licences are issued to all new industries. So that with the growth of new industry in Ontario, this is looked after as well as is possible with our present level of technology. I think on the other side of the river many of the older industries are perhaps the major problem.

However, to return specifically to the question, I would not be able to tell you what the specific municipalities are doing.

Mr. McCutcheon: If I might interrupt, there is no earthshaking development that they are taking and doing over there vis-a-vis what we are doing here then?

Mr. Prince: Nothing that I know of, no.

Mr. McCutcheon: I am told one of the big offenders in our part of the country is fennel wastes from the chemical valley area in Canada. Is this being controlled satisfactorily?

Mr. Prince: One of the problems with fennel wastes, Mr. Chairman, is the fact that extremely low concentrations in the very low parts per billion or less range are detectable by taste and odour, and to scavenge out the very last traces of these is virtually beyond the possibility of present technology. The amounts are not considered dangerous from the health or lethal point of view, but mere traces of these can give objectionable odours and tastes to water which would put its potability out of all proportion to the amount present. I think there are problems in this area. I would hope that there may be means for further abatement, but I am not familiar with what is going on.

Mr. McCutcheon: In other words, it is not considered a danger factor as much as—

Mr. Prince: Yes.

Mr. McCutcheon: I have one more question in this vein, if I might, please. How much warning did we have of the development of the situation as far as the area west of Pelee Island is concerned, that is the lower Detroit River and western Lake Erie?

Mr. Prince: Well, I could not really answer this question precisely, Mr. Chairman. I think there have been rumblings for a number of years. I think some of the university investigators were aware that certain things were happening, but I do not think until such time as these manifestations, such as the tremendous algae blooms, and so on, broke out that one realized the time had arrived. I would think that some warning of this might have extended back for perhaps three to five years, but again the question of interpreting what has happening in terms of its ultimate manifestation just was not known. So we are now looking at the product of this build-up over the many years.

Mr. McCutcheon: This, of course, is what I was particularly interested in namely to find out when a program should have been instigated, and if it should have been done a few years ago, why was it not done?

Mr. Prince: Well, I do not know what the answer is for that. I suppose the communication and the warning of the impending trouble were not adequate to energize action. I hope by now it is not too little and too late.

Mr. McCutcheon: In other words, do I take from your answer that perhaps some of the press reports are a little scarey?

Mr. Prince: Well, perhaps they are a little extreme, but I think one cannot ignore them completely by any means. If it were miraculously possible to eliminate all wastes and all nutrients coming into the lakes, I think the tendency through natural processes would be to alleviate the situation, but I do not think it would happen overnight; I think it would take many, many years.

Mr. McCutcheon: Under whose responsibility are the disposal systems, for example, of summer cottages?

Mr. Prince: Well, I think these are within the jurisdictional area of, first, the municipality if there is a municipality involved under the local medical health officer, and feeding up through to the province. The Ontario Water Resources Commission, I think provincially, is the agency which is responsible for examining the difficulties and for recommending measures of alleviation.

Mr. McCutcheon: In your opinion are they significant contributors to pollution throughout our lakes area?

Mr. Prince: I really do not think so, not a gross contribution basis. I think aesthetically it is rather poor. I think that many of these things can be cleared up by property owners and district association housekeeping. I might say there is a problem wherever electrification of summer cottage areas occurs and where water facilities are put in, in the precambrian area where there is not perhaps adequate filtering of effluence from water systems. There is a tendency to feed back through relatively coarse sand and gravel to relatively small bodies of water, and if this is the case then I think the local conditions can be quite severe.

It is rather difficult to recommend what the answer is because it is obvious that in a part-time occupied area of a few hundred cottages, that to put in permanent sewage disposal works is an extremely costly proposition. It is rather difficult to know what to recommend in these instances.

Mr. Hales: With respect to that supplementary question by Mr. McCutcheon, would this not indicate sort of a lack of responsibility here, or a lack of coordination; in other words, everybody's job is nobody's job? What steps have been taken to coordinate the control of this pollution business? You say first of all it is the municipality's responsibility, and then it is provincial. But if neither of these two branches of government take any action, whose responsibility is it?

Mr. Prince: Well, I think, Mr. Chairman, it is still clear that it is a provincial responsibility. In the past several months I have had considerable correspondence from people in the resort areas and throughout the province more or less indicating that this is a federal responsibility and if not, why not. The only action we can take and have taken is to refer these people, or their correspondence, to the Ontario Water Resources Commission, which I have done on several occasions. I find they are familiar with these problems, and in many

instances they have them on their program for survey work and indicate that if they had sufficient manpower this would have been done long ago.

Now, for a federal agency to simply move over into a province on top of the existing lines of communication, I think would be a little bit difficult. We have fairly close personal and formal association with the Ontario Water Resources Commission on many of these problems. I feel free in the discharge of my duties to telephone the senior personnel in the Ontario Water Resources to discuss some of these things, and find that this is quite an effective way of getting action. I have never yet been faced with the proposition that they were not interested; that it was my particular responsibility as a federal man. I think they are quite keen to co-operate and are quite effective in their means of co-operation.

Mr. HALES: Let us look back to what happened in Lake Erie. If the municipallity and the province had taken precautions in the early stages we might not be in this position. Perhaps we, on the federal level, fell down in not seeing that the municipality and the province did their part.

Mr. PRINCE: Well, it is difficult in retrospect to know whether this would be the case. I do not think some of the factors involved in Great Lakes deterioration were fully understood or appreciated in the past. I am referring to some of the nutrient chemical things that in themselves are quite desirable; we buy them at so much per ton as fertilizers for agricultural use. We use modifications of them in soap powders and detergent materials. These things are not considered as harmful or noxious, until such time as they have reached concentrations at a very low level, but very specifically capable of causing these tremendous manifestations of algal growth.

Now, I do not think this sequence of events was fully understood in these large freshwater bodies. Technically, the process of putrification has been understood in bodies of water, both marine and fresh, but I think the full appreciation of this as sort of an artificial pollution problem has not been so appreciated. If the municipalities had been allerted to what was known even ten or fifteen years ago, I doubt if they could have coped with the particular problem.

Furthermore, most of the treatment processes which are in use at the present time in the handling of municipal effluence are not capable of removing these soluble chemical nutrient materials. They are permitted to go through, not willfully, but in the natural course of chemical events; they are very soluble and are not precipitated and removed fully from the clear effluence that are returned to the streams, or to the lakes themselves directly, and they still continue to build up.

Mr. HALES: Now that the word "detergent" has been brought before the committee and we apparently know the dangers of pollution through the use of detergents, why are we not passing legislation to prevent the sale of detergents to solve the pollution problem at one of the sources which we apparently know? Why do we allow detergents such as these to be sold? I know this will be beyond your department.

Mr. PRINCE: I am not speaking from a political point of view at all, but I think that society has become wedded to the concept of cleanliness through the

use of detergents which would be rather hard to reverse. I think it would be rather difficult to sell the steaming washtub and the scrub board back to the housewife.

Mr. HALES: Let us put the question this way, then. Is there not a detergent in the United States called Basic H—I think this is its trade name—which has a base that is not of the same chemical composition which is harmful, and could replace the harmful ones? Have we made any progress in this regard?

Mr. PRINCE: I am not familiar with this particular Basic H compound, at least the material that is referred to. There has been quite a lot of work done on the question of mild degradable soaps in detergents which is the question of the frothing problem. Whether they have actually substituted another sort of base in the sodium tripolyphosphate compound which is the common one used in detergents, I do not know. I would rather hope that they might have.

The CHAIRMAN: Gentlemen, excuse me. I think we got a little far afield here on a supplementary question. The procedure we have tried to adopt on the supplementary questions is that they be of a specific nature and related directly to the questions being asked. So perhaps Mr. Hales will permit Mr. McCutcheon to continue, and I have one or two other men. I will put your name on the list to pursue this matter.

Mr. HALES: I will abide by your ruling, Mr. Chairman.

Mr. MCCUTCHEON: Now, we are dealing with three votes and I trust I will still be in order. This is supplementary to the questions which were asked of Mr. Patterson two weeks ago about the Harricanaw project in the north, and just for a moment I would like to know what is being done up there currently.

Mr. T. M. PATTERSON (*Director, Water Resources Branch, Department of Mines and Technical Surveys*): On the Harricanaw?

Mr. MCCUTCHEON: Yes. Are these people up there working, or what is going on?

Mr. Patterson: Not on the Harricanaw.

Mr. MCCUTCHEON: Do you have any up in that country, in the James Bay area?

Mr. PATTERSON: We have work going on in the northern slopes of Ontario.

Mr. MCCUTCHEON: Well, referring back to Harricanaw—and this is just purely for my information—who would decide eventually on the feasibility of a project such as that?

Mr. PATTERSON: Well, the feasibility could only be decided after a very extensive study. This would involve a great deal of field work and a great deal of office work.

Mr. MCCUTCHEON: And who would be the body charged with the final decision as to feasibility? Who would make recommendations pro or con?

Mr. PATTERSON: I would suggest that that would depend on the way it was set up. If the government created a board to study that through one of the existing departments, and if it did I would assume it would be the Department

of Mines and Technical Surveys, then that board would report to the minister of that department and the minister would in turn report to the government, and a decision would have to be made at the government level.

Mr. McCutcheon: Thank you very kindly. Under vote 80 I note that there are only three projects of conservation and control of water in the province of Ontario. I note there is an expenditure of $712,500, contribution to the province of Ontario towards the cost of the Upper Thames River Conservation Authority program. What percentage of the cost does that represent?

Mr. Patterson: My recollection of the overall cost of the Upper Thames is that it is in the neighbourhood of $15 million.

Mr. McCutcheon: Yes. I notice in 1955-56 there was a contribution of $700,000. All I am interested in, Mr. Patterson, is the percentage break between federal and provincial on that type of thing.

Mr. Patterson: Well, under the act the federal government can contribute up to 37½ per cent, but not more than the province. The municipality or the authority can contribute the other 25 per cent, or the province may take over any portion of that extra 25 per cent. But the federal contribution is limited to a maximum of 37½ per cent.

Mr. McCutcheon: Thank you. With a province the size of Ontario it seems to me, just at a glance, that there are not many agreements in operation with a province of that size. Have there been any new agreements signed recently?

Mr. Patterson: There are some being looked at.

Mr. McCutcheon: When was the last one signed?

Mr. Patterson: Metropolitan Toronto, I guess, was the last one signed, and that was several years ago. I would like to make a correction on that $15 million I gave you for the Upper Thames. The total figure is $9,640,000 for the Upper Thames.

Mr. McCutcheon: The figure you gave me which I was interested in was the 37½ per cent figure. It would seem to me that in this day and age, with all the talk about conservation, flood control and all the rest of it, that there is not very much going on in my native province.

I have one more question, Mr. Chairman, and then I will pass. There seems to be a grey area where nobody seems to accept responsibility—and this has nothing to do with pollution, Mr. Chairman; this has to do with water as a resource between the federal and provincial jurisdiction—on tributary streams which are considered navigable for part of their distance; nobody seems to know whose responsibility what is. Is there any arrangement between the two jurisdictions for this type of thing?

Mr. Patterson: Well, there is the Navigable Waters Protection Act under which any structure built in any stream which is declared navigable requires the approval of the Department of Public Works. The problem is to determine what is a navigable stream. There are many definitions of what is navigable. One definition is that anything which will float a log is navigable.

Mr. McCutcheon: Well, with that and so many different jurisdictions looking after water, in your opinion would it be beneficial towards a really

national program if there were some consolidation in these departments so that people would know who they were dealing with, et cetera, et cetera?

Mr. PATTERSON: Yes, I think that is a fact, and I think federally the government has taken steps in the bill which the House has just recently passed to achieve some of this consolidation.

Mr. MCCUTCHEON: I would like to thank you very much for your answers, and I trust I have not held the committee up too long, Mr. Chairman.

The CHAIRMAN: Thank you for your questions, Mr. McCutcheon. We will move on now to Mr. Andras, I believe.

Mr. ANDRAS: Mr. Chairman and gentlemen, this is departing almost entirely from pollution: Is your department conducting any research in the control of ice, for instance? I know this crosses into the area of transport too. However, with water research for the Great Lakes as an objective, for instance, to keep the Lakehead ports open year round, is there any significant research which you are doing?

Mr. J. P. DROLET (*Assistant Deputy Minister, Department of Mines and Technical Surveys*): There is some work done in our geographical branch, and they made quite an extensive survey in the St. Lawrence Gulf. I know the marine science division is also involved in that. Mr. Gray, do you have any information on this?

Mr. N. G. GRAY (*Dominion Hydrographer, Canadian Hydrographic Service, Department of Mines and Technical Surveys):* I can only add to what Mr. Drolet has stated just now, that research on ice is carried on under the geographical branch of the department.

Mr. ANDRAS: Are there any encouraging developments that you hope will eventually lead to such a thing as being able to keep Great Lakes ports open the year round?

Mr. GRAY: I am afraid, Mr. Chairman, that I do not have this information to the extent that work has been done in the lakes on this.

Mr. ANDRAS: There is some work being done though; there is some research being done?

The CHAIRMAN: Perhaps at this time they could not give you the extensive answer which you might require. However, I think Mr. Pack has indicated that this information could be available in the future.

Mr. ANDRAS: Well, I would be most appreciative if that could be answered more fully.

Mr. DROLET: I can give you a partial answer on the St. Lawrence Gulf, not on the Great Lakes.

Ice surveys are made by the geographical branch in conjunction also with the Department of Transport. For instance, the Department of Transport has helicopters located at various spots along the St. Lawrence River and the St. Lawrence Gulf, as you have noticed, shipping is done the year round now from most of the ports along the St. Lawrence. Iron ore from the north shore goes to Europe or around the Gaspe Peninsula to the various ports of the United States.

Now, this part of Canada is all right; we know about it and we have surveys going on with regard to the movement of ice. I do not think we are informed enough about the possibility of winter navigation past Montreal and up the Great Lakes. I will get more information for you from the geographical branch, and I will let you know the exact state of research in that area.

Mr. ANDRAS: Perhaps you could add to that your knowledge of any other type of research which is going on in the field anywhere in the world. I would like to be as fully informed as possible.

Mr. DROLET: Well, there is a great deal of research done in other parts of the world; as a matter of fact, in Scandinavian countries, and we are well aware of that. The data which these people are compiling have been used by us for northern transportation for all our ships going up north along the Labrador coast. There are a lot of reports published on this matter. As a matter of fact, it is not a research project any more; it is an operation, and we know the movement of ice. The problem was to know the approximate movement of these big ice flows, and also be able to predict those, and we can do this now.

Mr. ANDRAS: Of course, it would be much different in the Great Lakes.

Mr. DROLET: That is right, because of the closed water.

Mr. ANDRAS: I will pass. If you can give me some of this information as soon as possible, I would appreciate it.

The CHAIRMAN: I would like to make a comment at this point regarding the direction of ice flows. If there is anything you can do to direct them further away from Newfoundland it will be greatly appreciated.

Mr. ANDRAS: So long as you do not direct them to the Lakehead or in that direction.

Mr. DROLET: They were pushed towards that area of Labrador because you were not part of Canada.

The CHAIRMAN: We might try and get some extra compensation from the federal government. Mr. Aiken, you indicated that you had some questions?

Mr. AIKEN: Mr. Chairman, I am very happy to see the minister here. I wonder if I could ask him a couple of questions with relation to the conference on pollution.

Mr. CHAIRMAN: Well, I may just say at this point, Mr. Aiken, that I am sure the minister will be very anxious to answer these questions. However, with regard to the normal conduct of our business, I believe it was agreed that we would proceed by a vote to vote study. I am just pointing this out to the committee as a suggestion, that perhaps it might be advisable for us to conclude our vote by vote consideration before asking the minister questions. I realize the specific question which you are asking about does deal specifically with the votes that we are dealing with now.

Mr. AIKEN: Mr. Chairman, may I explain that I had intended to ask these questions of the departmental officials, but I was in some doubt as to whether they might feel that they ought to answer them. I could direct them to the

officials, but I see the minister is here, and since this matter refers to what took place at the Winnipeg Conference, I would want someone to answer who was there.

The CHAIRMAN: We have an official here who was there, but the suggestion I am making really is that there are a number of areas on which the minister, I know, will want to speak, and I am sure the members of the committee will want to question the minister on these matters. I am just thinking of the orderly development of the agenda before us. It appears to me it might be better to have the minister before us at the conclusion of all of these matters. I realize there are many questions which can be directed to specific sections which the members might prefer, for various reason, to direct to the minister. While we are very glad to see the minister here today visiting us, I think it might probably be best if we continue with the program we agreed upon at the beginning.

Mr. AIKEN: All right, Mr. Chairman. I will pass.

The CHAIRMAN: Mr. Hales, did you have something?

Mr. HALES: I have a question under vote 80. I am interested in the amount of contributions by the federal government to the province of Ontario, and I notice under vote 80 there are three projects in Ontario. I wonder if somebody in the department could give us the dates of those agreements which were entered into?

Mr. PATTERSON: The Upper Thames agreement was entered into in January, 1951 at an estimated cost of $9,640,000. Canada's contribution to October 31, 1965 was $2,196,000 odd. The Parkhill Dam project—

Mr. HALES: Is that the Ausable?

Mr. PATTERSON: The Ausable, yes. This was initially entered into in 1961 and was renewed in December, 1964, and Canada's contribution to September 30, 1965, was $97,738. The Metropolitan Toronto and region project was entered into in June of 1961. The estimated cost for which assistance was requested for flood control only was $24 million; Canada's contribution to October 31, 1965 was $3,365,172.

Mr. HALES: Thank you. It would appear that no projects have been entered into since 1961 with the province of Ontario?

Mr. PATTERSON: Other than the renewal of the Parkhill dam.

Mr. HALES: Well, is this because the province of Ontario has not asked for help in these projects? Five years is quite a long time when pollution and conservation are such very important matters. I am trying to find out why there was no arrangement between the province since 1961.

Mr. PATTERSON: Well, for one thing two of those projects, the Upper Thames and the Metropolitan Toronto, cover very considerable areas in the southern part of the province. There have been some negotiations with respect to some other projects which have not reached the agreement stage, and apart from that Ontario has not advanced projects. Now, a project, to be eligible under the act, has to be a major project.

Mr. HALES: Have they submitted a project which has been refused?

Mr. PATTERSON: I believe so.

Mr. HALES: More than one?

Mr. PATTERSON: Yes, I believe there has been more than one. I can think of possibly two which have been refused; others have been discussed. I think the province observes the fact that it has to be a major project before they come to the federal government under that act.

Mr. HALES: In order to be fair to the provinces, they do carry on their own suggested?

Mr. PATTERSON: I do not recall a project in the Sydenham Valley.

Mr. BOWER: What constitutes a major project?

Mr. PATTERSON: This varies with the provinces; on a formula it has been based on their income tax, the worth of the province. With respect to Ontario, it is in the neighbourhood of a million dollars.

Mr. HALES: In order to be fair to the provinces, they do carry on their own conservation projects without federal aid, do they not?

Mr. PATTERSON: Yes sir.

Mr. HALES: It has to be a major one, as you say.

Mr. PATTERSON: That is correct.

Mr. MCCUTCHEON: The million dollars which you referred to, what does that cover? I just was not clear on your answer, Mr. Patterson.

Mr. PATTERSON: The cost of the project.

Mr. MCCUTCHEON: Oh! Well, I am told that this Sydenham Valley project is to be about $3½ million or $4 million, as high as $7 million. Surely it would have come to your attention.

Mr. PATTERSON: I do not recall an application coming from the Atlantic the Sydenham Valley.

The CHAIRMAN: Are there any further questions on these two votes?

Mr. BOWER: I note there are no projects in eastern Canada or the Atlantic provinces. Is that because they have never asked, or they do not have any major ones, or that everything is all right?

Mr. PATTERSON: I do not rcall an application coming from the Atlantic provinces under that act. I believe there have been some inquiries.

The CHAIRMAN: Any further quesetions on these items? Shall these votes carry?

Mr. AIKEN: Mr. Chairman, do I understand that regardless of the passage of these estimates, that the minister will be available to answer questions on any of these matters?

The CHAIRMAN: That is quite correct.

Items 70, 75 and 80 agreed to.

The CHAIRMAN: Thank you very much, gentlemen.

We will now call Vote 15 which is as follows:

Subventions in respect to Eastern Coal under agreements entered into pursuant to the Atlantic Provinces Power Development Act (20), $2,000,000.

The assistant deputy minister will deal with this vote. Are there any questions of the assistant deputy minister?

Mr. DROLET: I may just say that the responsibility of this act has now been passed to the Minister of Mines and Technical Surveys, but the Northern Canada Power Commission is still the legally authorized body for the administration of the act. We have with us Mr. Humphrys who is the general manager of the Northern Canada Power Commission, and he knows all the facts about this.

The CHAIRMAN: Are there any questions?

Mr. AIKEN: Is this the item under which a grant or subvention is made for the use of maritime coal in Ontario or other provinces?

Mr. DROLET: Mr. Humphrys can give you the details, but let us say just in broad outline that this act addresses itself first to the Atlantic provinces, Newfoundland, Nova Scotia, Prince Edward Island, and New Brunswick. It has two credits or two amounts of money in it, one is for long term loans to construct thermal electric power plants and high voltage interconnecting lines, and the second one—this is the one you referred to—is for subvention payments on eastern coal which is being used in electric plants located in the Atlantic provinces.

Mr. AIKEN: What is the subvention rate at the moment per ton? Is it $2?

Mr. E. W. HUMPHRYS (*General Manager, Northern Canada Power Commission*): It is paid at the rate of 1.05 mills per kilowatt hour. It works out roughly to $2 per ton; it depends on the efficiency of the power plant.

Mr. AIKEN: Is this subvention paid for the coal that is brought from the maritimes to Ontario hydro plants?

Mr. HUMPHRYS: Only coal must be used in the maritimes for the generation of electricity within the maritime provinces.

Mr. DROLET: You are talking about something else under the Dominion Coal Board Act in order to counterbalance the cost of transportation; the coal would be too expensive to use in Ontario. We are now talking only about coal being used in thermal generation plants in Atlantic provinces.

Mr. AIKEN: Then I understand the federal government paid the subvention on coal which was used within perhaps the same province?

The CHAIRMAN: I think this question perhaps might be better directed under vote 100, the Dominion Coal Board.

Mr. AIKEN: I am trying to find out what this vote is. I was asking whether this vote is for coal mined in the maritimes and used in the maritimes. Is that what it strictly is?

Mr. HUMPHRYS: Coal used within the maritime provinces, yes, for the generation of electricity.

Mr. AIKEN: Does it include only the maritime provinces?

Mr. HUMPHRYS: Yes.

Mr. AIKEN: So that coal mined in Nova Scotia but used in one of the other maritime provinces would receive this subvention?

Mr. HUMPHRYS: That is correct.

Mr. AIKEN: And in how many other provinces is it used?

Mr. HUMPHRYS: New Brunswick and Nova Scotia.

Mr. AIKEN: There are just the two provinces that are involved?

Mr. HUMPHRYS: That is right.

Mr. HALES: How is the subvention paid? I suppose a cheque is issued to—

Mr. HUMPHRYS: —to the Nova Scotia Power Commission or the New Brunswick Electric Power Commission. They are responsible to distribute the subvention to the consumers. It is in the form of rate adjustment or rate rebates.

Mr. HALES: And it is paid on an inventory of the coal used?

Mr. HUMPHRYS: Yes, records on the consumption of coal.

Mr. HALES: And what control or check do you have on that?

Mr. HUMPHRYS: The control is by virtue of the records of the metered consumption or generation of power, and this is submitted on monthly reports by the Power Commissions from all the power plants that are using coal, and these are audited.

The CHAIRMAN: Are there any further questions?

Mr. BOWER: I just have one question. If coal from New Brunswick were used in the power thermal plant in Newfoundland, would that plant get the benefit of the subvention?

Mr. HUMPHRYS: That would be eligible, yes.

Mr. BOWER: In other words, it is interchangeable throughout?

Mr. HUMPHRYS: That is right.

Mr. MCCUTCHEON: But it is only being used by two at the moment?

Mr. HUMPHRYS: That is right.

The CHAIRMAN: Are there any further questions? Shall Item 15 carry?

Item 15 agreed to.

We will now call vote L40 which, I believe, will involve the same two officials. This vote is on page 547, and it is as follows:

> Advances in accordance with agreements entered into pursuant to the Atlantic Provinces Power Development Act, $17,500,000.

Mr. DROLET: This large amount of money, $17.5 million, really concerns the long term loans in order to construct thermal electric power plants and high

voltage connecting lines. These loans are made by the Government of Canada at normal borrowing rates plus $\frac{1}{8}$ per cent and it is administered by the Atlantic Provinces Power Development Act under Northern Canada Power Commission of which Mr. Humphrys is general manager.

The CHAIRMAN: Are there any questions on vote L40?

Mr. AIKEN: This applies to other than coal then, I presume?

Mr. HUMPHRYS: This is different; this is a loan for the construction of high voltage transmission lines and thermal power plants.

Mr. AIKEN: This really does not come under the mines section; it comes under the resources section, is that correct?

Mr. DROLET: Perhaps I can tell you in one paragraph really what it does. The intended objective of this program is to encourage the develpment of an interprovincial electrical grid in the Atlantic provinces, primarily New Brunswick and Nova Scotia, the forerunner by a short period of the concept of a national grid, and thereby reduce the cost of power by virtue of interchange of capacity and maximum utilization of the most efficient or low-cost energy forces in supplying the consumer demand in the two mainland provinces. This is what it really does.

Mr. AIKEN: This is another question I would like to have asked the Minister, but I will hold it. That relates actually to the provincial development of a Canadian power grid. Have you any comments to make on that particular subject?

Mr. DROLET: No. I was going to ask my minister about it though.

The CHAIRMAN: We will have ample opportunity to ask questions of the minister who indicated this to us at an earlier meeting, and this was the procedure adopted.

Mr. BOWER: Would the decrease here represent the amount of yearly decrease in the paid off portion of the loans? I notice a decrease from last year.

Mr. HUMPHRYS: No. That merely results from the fact that the province's programming was stepped up. They had additional projects in the year covered by this vote, that is all. They do pay off each year. These loans are repayable over a period of 30 years for thermal plants and 40 years for transmission lines. The payments which are coming in are relatively small amounts, but they do make annual payments.

The CHAIRMAN: Just before this vote carries, I would like to ask a question myself, if I may. The Bay d'Espoir project in Newfoundland, was it under this particular item?

Mr. HUMPHRYS: The transmission lines associated with it are, yes.

The CHAIRMAN: Shall item L40 carry?

Item L40 agreed to.

Well, that concludes, gentlemen, almost all of the vote by vote considerations of the estimates. We have the Energy Board and the Dominion Coal Board to come before us before we return to item 1, and the general questioning of the minister.

I may say also that prior to the next meeting we will have a meeting with the steering committee to outline the continuing procedure of the committee, because two further matters have been referred to us. One of these items deals with the National Research Council, which is in Votes and Proceedings of June 3, page 609, and also on the same day at page 610 the subject matter of the designated area program criteria. These are two matters which we will be discussing and I should imagine this will be the subject to discussion with the steering committee. We will not commence discussion of the two matters which deal with the Department of Industry until we have concluded with this department.

There are no further votes to call today, so I would like to thank the members for coming out today. I would also like to thank Mr. McCutcheon who, as representative of the Conservatives on the steering committee, has served an admirable service in bringing his cohorts here to guarantee a quorum. I might say that the next meeting, unfortunately, is again scheduled for one o'clock. If it is your wish, we will leave it to the steering committee to decide whether we should sit at that time. However, if some of you have some particular objection to sitting at one o'clock on Thursday, perhaps now would be the time to say so. We have tentatively scheduled—and this time I hope we can follow that schedule—meetings on Tuesday and Thursday for the next two weeks at the more appropriate hours of 9.30 a.m. and 11 a.m. I would think that in those four meetings it would certainly be reasonable to assume that we will have completed the Department of Mines and Technical Surveys, and we should be well on into the other departments. If there are no comments now on the one o'clock hour, then we can leave it at that. I believe we were quite successful today.

I do not know how much discussion there will be on the two remaining matters, but it might well be that we will not take the regular time in dealing with these two votes in which case we might then commence with the minister. However, knowing that ministers are busy from time to time, perhaps this might tie up the minister for a meeting when he would not get an opportunity to speak on item 1 again. These are matters which I think we will, with your indulgence, leave to the steering committee to resolve.

Mr. HALES: Mr. Chairman, I think you should invite the minister to lunch and then we would have a good quorum.

The CHAIRMAN: I am sure that as Chairman of the Public Accounts Committee you could arrange payment for such a lunch.

Mr. HALES: I do not think the Auditor General would approve.

The CHAIRMAN: We will adjourn now until the same time Thursday unless the steering committee can arrange a better hour. Thank you very much.

APPENDIX "3"

DEPARTMENT OF MINES AND TECHNICAL SURVEYS

Sea-Ice Surveys

The Sea-ice Surveys—Canada

The Geographical Branch of the Department of Mines and Technical Surveys has conducted no aerial ice surveys over the Great Lakes.

Aerial sea-ice surveys were conducted each year in winter over the St. Lawrence River from 1959 to 1964, except 1963. Surveys were conducted over the Gulf of St. Lawrence from 1956 to 1964, except 1963. These surveys were terminated in 1964 as the Meteorological Branch had assumed the entire operation of providing both tactical and synoptic ice surveys.

Aerial ice surveys began in the High Arctic (Queen Elizabeth Islands region) in the summer of 1961, in conjunction with the Polar Continental Shelf Project; sea-ice mapping is in progress at the present time in this area.

The Meteorological Branch, Department of Transport, is responsible for all sea-ice survey in Canadian waters with the exception of the Geographical Branch/Polar Continental Shelf Project work mentioned above which is of an experimental nature.

International Sea-Ice Activities

The U.S.S.R. conducts both synoptic and tactical sea-ice surveys on its Arctic waters and the Baltic.

Denmark conducts ice surveys in Greenland waters, and the United States conducts ice surveys from Newfoundland to Thule (Greenland) and Alaskan waters. Presumably, Norway, Sweden, Finland and West Germany conduct tactical surveys in the Baltic in support of their shipping. Japan has conducted surveys off its northwest coast.

OFFICIAL REPORT OF MINUTES

OF

PROCEEDINGS AND EVIDENCE

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LÉON-J. RAYMOND,

The Clerk of the House.

5

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

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STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. RICHARD CASHIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

THURSDAY, JUNE 16, 1966

Main Estimates (1966-67) of the
Department of Mines and Technical Surveys

WITNESS:

The Hon. J. Watson MacNaught, Chairman, Dominion Coal Board.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24449—1

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Richard Cashin

Vice-Chairman: Mr. Ovide Laflamme

and

Mr. Addison,	[1]Mr. Goyer,	Mr. McCutcheon,
Mr. Andras,	Mr. Grafftey,	Mr. O'Keefe,
Mr. Beaulieu,	Mr. Hales,	Mr. Peters,
Mr. Bower,	Mr. Hopkins,	Mr. Reid,
Mr. Davis,	Mr. Langlois (*Chicoutimi*),	Mr. Saltsman,
Mr. Faulkner,	Mr. Latulippe,	Mr. Scott (*Victoria (Ont.)*),
Mr. Forest,	Mr. Legault,	Mr. Sherman—(24).
Mr. Fulton,		

(Quorum 9)

[1]Mr. Goyer replaced Mr. Choquette on June 15, 1966.

R. V. Virr,
Clerk of the Committee.

Corrigendum to Issue No. 5 page 119.

Delete fifth last paragraph

"the Chairman called item L40, etc."

Insert

"The Chairman called item 15—subventions in respect to Eastern Coal under Agreements entered into pursuant to the Atlantic Provinces Power Development Act."

ORDER OF REFERENCE

WEDNESDAY, June 15, 1966.

Ordered,—That the name of Mr. Goyer be substituted for that of Mr. hoquette on the Standing Committee on Industry, Research and Energy evelopment.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

24449—1½

MINUTES OF PROCEEDINGS

THURSDAY, June 16, 1966.
(7)

The Standing Committee on Industry, Research and Energy Development met this day at 1.05 o'clock p.m. The Chairman, Mr. Cashin, presided.

Members present: Messrs. Andras, Bower, Cashin, Davis, Forest, Goyer, Hales, Latulippe, Legault, McCutcheon, Peters, Saltsman, Scott (*Victoria Ont.*)), (13).

Also present: Mr. Aiken, M.P.

In attendance: *From the Dominion Coal Board*: Hon. J. Watson MacNaught, Chairman; Mr. G. W. McCracken, Administrative Officer, Mr. A. Brown, Special Adviser; Mr. A. W. Lovett, Financial Officer.

The Committee continued its examination of the main estimates of the Department of Mines and Technical Surveys.

The Chairman called item 100—Dominion Coal Board and the Committee questioned the witnesses on the operation of the Coal Board.

In reply to a question concerning the average cost per ton of coal mined, the Hon. Mr. MacNaught tabled a paper intituled "Canadian Coal Mines Operating Costs and Revenues 1964". The paper is attached to this day's Minutes of Proceedings and Evidence (*See Appendix 4*).

Mr. MacNaught undertook to provide written answers to questions regarding subventions of Maritime coal as in competition with fuel oil and the difference in price of Nova Scotia coal and United States coal sold in Canada (*See Appendices 5 and 6*).

After additional questioning by the members, item 100 was carried.

At 2.25 p.m., the meeting was adjourned until Tuesday, June 21 at 11.00 o'clock a.m.

R. V. Virr,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

THURSDAY, June 16, 1966.

● (1.00 p.m.)

The CHAIRMAN: Gentlemen, I will call the meeting to order. Today we have two votes with which to deal. First of all we will deal with the Dominion Coal Board. We have with us today the Chairman of the Dominion Coal Board, the Hon. J. Watson MacNaught who, along with his officials, is here to answer questions pertaining to this vote. If we conclude our discussions of the Dominion Coal Board we will then proceed to the National Energy Board.

I might say at this point some of the officials we have with us today have an appointment at 2.20 so, if possible, in order to convenience them, we will adjourn at 2.15.

Department of Mines and Technical Surveys
Dominion Coal Board
100 Administration and investigations of the Dominion Coal Board. $185,400.

Are there any questions on this vote?

Mr. PETERS: Would the Chairman care to make a statement on the operation of the Dominion Coal Board? I would like to welcome our former colleague here today.

The CHAIRMAN: Mr. Peters, perhaps we could ask Mr. MacNaught to say a few words on this but I might say that we did adopt the procedure throughout the study of the estimates that when we did call the votes we did not ask for a statement from the person concerned for various reasons. This was decided upon and, therefore, I did not indicate to either of these gentlemen that they would be asked to make a statement. In other cases questions were asked that generally satisfied the members. Would you like to say anything on this, Mr. MacNaught. The understanding was there would not be an opening statement made, but maybe there are one or two things you would like to say about it.

Hon. J. WATSON MACNAUGHT Q.C., (*Chairman, Dominion Coal Board*): Mr. Chairman, as you stated, I prepared no statement. I might say, however, that for the year just passed there has been an increased production of coal in Canada and also an increased consumption of coal. Also, there has been an increase in the imports of bituminous coal into Canada. Anthracite has dropped off slightly, but only very slightly. The subventions continue to rise. This, I think, is inevitable; when we understand that the costs of production are increasing the subventions must also increase.

We are now also equating against residual oil which has meant a substantial increase in the subventions, particularly on the east coast where residual oil is very competitive with coal.

Mr. PETERS: Could I ask if the line that was originally the break even point where the Dominion Coal Board considered subventions advantageous going westward has changed because of the changing conditions?

Mr. MACNAUGHT: At the moment, no coal from the Maritimes is subvented beyond Ontario. There is still a substantial movement of coal going into Quebec and Ontario, more particularly the substantial contracts which exist with Ontario Hydro involving three quarters of a million tons of coal annually.

Mr. PETERS: Would this be as far west as Toronto? Would the line be somewhere in the Toronto area now?

Mr. MACNAUGHT: Yes we subvent to that area and one other area of Timiskaming but, basically, we are trying to get out of those subventions, if we can, because they are expensive.

Mr. PETERS: Does the Dominion Coal Board supervise coal coming into the country as well?

Mr. MACNAUGHT: No, we have nothing to do with coal coming into the country. If we are equating the subvention against American coal, naturally we have to know the cost of that coal, the handling charges and so on, so we can make an accurate estimate of the amount of subvention that has to be paid so that the Canadian coal can equal the cost of the American coal.

Mr. PETERS: On the other hand, how far east and west does the subvention operate in terms of Alberta coal?

Mr. MACNAUGHT: We subvent Alberta coal coming into Ontario, but not into Quebec.

Mr. PETERS: And west to British Columbia?

Mr. MACNAUGHT: So far as I know there would be no Alberta coal subvented in British Columbia unless it was under the order in council which permits the coal board to pay 75 cents a ton on Alberta or British Columbia coal used for bunkering ocean going ships. That is the only one.

• (1.16 p.m.)

Mr. PETERS: Is this order in council used?

Mr. MACNAUGHT: Oh yes, it is used. I cannot give you the figure on it because I was just noticing it is an order in council that relates to ship supplies and also the shipment to Japan and the figures I have before me, do not separate the two. Mr. Lovett, would the ship stores be large?

Mr. A. W. LOVETT (*Financial Officer, Dominion Coal Board*): No sir, the tonnage is very very small. Roughly speaking, it would run into less than 2,000 tons a year.

Mr. MACNAUGHT: I am advised by Mr. Lovett that it runs to less than 2,000 tons a year.

Mr. PETERS: Would this all be on the west coast?

Mr. MACNAUGHT: For salt water, yes.

Mr. PETERS: Subvention does not work on the east coast.

Mr. MacNaught: It does not apply to the east coast.

The Chairman: Are there any further questions.

Mr. Bower: The $25 million aid or assistance program to the Nova Scotian coal mines has been mentioned in the House. Would that fall under the administration of the Dominion Coal Board?

Mr. MacNaught: I believe you are referring to reported government policy and the expenditure of a certain amount of money in the Atlantic provinces. The coal board has nothing to do with that. It is government policy and I believe no decision has been made.

Mr. McCutcheon: What is the amount of the subvention that is paid on coal going to Ontario Hydro, or do you have that separate?

Mr. MacNaught: I can give you an approximate figure. Do you wish the amount per ton or the total amount?

Mr. McCutcheon: No, just the total amount, if you have it.

Mr. MacNaught: I am informed it is approximately $6,000,000.

The Chairman: Are there any further questions.

Mr. Davis: I would like to ask how much money per year is now being spent to support the export of coal to Japan?

Mr. MacNaught: Last year the amount was $2,708,000 and, of course, as I said in the beginning, included in that would be the small amount for ship stores which I am told would be under 2,000 tons and that is only 75 cents a ton. That figure, therefore, is basically correct.

Mr. Davis: On an annual basis per ton, has this subsidy been going up or down?

Mr. MacNaught: I notice for the year 1964-65 it was $283,000; in 1963-64 it was $319,000 and in 1962-63 it was $363,000. Now it has dropped down to $279,000.

Mr. Davis: Why has this been coming down?

Mr. MacNaught: Basically, because of better methods of production and. I think, there is every indication that this subsidy will drop substantially in the near future.

Mr. Davis: Is there any government policy in this connection to reduce or perhaps even eliminate the subsidy?

Mr. MacNaught: Well, again, you are asking me a question on government policy which I feel I should not answer.

Mr. Davis: What is the coal board doing, if anything, to help produce this coal?

Mr. MacNaught: At the moment we are considering an application of one of the largest producers in that area, Crowsnest Industries Limited; they are negotiating for long term contracts with Japan and those contracts hinge on two things, the length of the term of the contract and whether satisfactory arrangements for transportation can be made. These arrangements are going on at the present time. I believe that Crowsnest Industries Limited are very optimistic

that this will have a very happy conclusion and if so, then they anticipate they will move the whole contract to Japan at a very small subsidy or it is highly probable, no subsidy.

Mr. DAVIS: You mentioned Crowsnest Industries Limited. Are there any other companies interested in mining coal for export?

Mr. MACNAUGHT: Coleman Collieries Limited ship a substantial quantity of coal to Japan and Canmore Mines Limited ships coal to Japan.

Mr. DAVIS: Does the subsidy apply to new mines or simply to existing mines?

Mr. MACNAUGHT: If I remember the order in council I think the mine had to be in operation in the basic year, 1958 and it had to be in regular production that year and making regular sales.

Mr. DAVIS: In other words, a new company opening a new mine would not qualify?

Mr. MACNAUGHT: Not under the present order in council. There is also a provision whereby if a company is operating a mine and the mine is exhausted by depletion of its resources, they can move to another mine. That provision is in all our orders in council.

Mr. DAVIS: With regard to competition in respect of movement, is the only avenue of movement the CPR by ordinary rail car or are there any other possibilities?

Mr. MACNAUGHT: There has been a lot of discussion—some of it is of a confidential nature; some of it has been in the newspapers and must be available to members of the Committee as well as it is to me—of possible competition to the CPR. I do not think I am disclosing any knowledge that is not pretty well available to anyone interested in the coal industry; there is other competition available.

Mr. DAVIS: In other words, the prospect is that probably the subsidy will diminish rather than increase?

Mr. MACNAUGHT: I do not think there is a doubt in the world that the subsidy on British Columbia coal will decrease in the next two or three years.

Mr. FOREST: Mr. MacNaught, you said there is no limitation of importation of coal.

Mr. MACNAUGHT: There is a small duty on it.

Mr. FOREST: Do we import much coal and, if so, what are the reasons for this? Is it because it is cheaper, better or what?

Mr. MACNAUGHT: Well, most of the coal that is imported from the United States is brought in for a specific purpose. Let us take for example metallurgical coal for the making of coke used in the steel industry. The Canadian coal has a much higher sulphur content than American coal and to make good coke for metallurgical purposes for the production of steel, iron ingots and so on, you need a lower sulphur content coal and the American coal is lower in sulphur content.

Mr. FOREST: Do we export any coal?

Mr. MacNaught: We export coal to Japan and we also, from the British Columbia area, ship small shipments of coal to some metallurgical plants in the United States, because that coal in British Columbia is a very good metallurgical coal.

The Chairman: If there are no further questions, Mr. Forest, the next person on the list is Mr. Goyer.

(*Translation*)

Mr. Goyer: Mr. Chairman, I apologize for—

Mr. MacNaught: I beg you pardon.

The Chairman: We have the translation, Sir.

Mr. Goyer: Mr. Chairman, I must apologize if I ask you to repeat some figures you have given, but what is our production, total coal production in tons?

(*English*)

Mr. MacNaught: The amount is 11,558,000 tons of coal.

(*Translation*)

Mr. Goyer: How many tons are subsidized out of this production?

(*English*)

Mr. MacNaught: I have not that figure complete. I would have to go over the various provinces and add them together. I can have it prepared for you and give it to you later on.

(*Translation*)

Mr. Goyer: The tonnage you gave us was for what year?

(*English*)

Mr. MacNaught: The calendar year of 1965.

(*Translation*)

Mr. Goyer: Could one say accordingly to the report for 1964-65, of the Coal Board, that the amount, the number of tons subsidized was approximately 5 million?

(*English*)

Mr. MacNaught: That might be an accurate estimate.

(*Translation*)

Mr. Goyer: $4.45 a ton according to the annual report.

(*English*)

Mr. MacNaught: The figures I have for 1964-65 would be $4.45 a ton and for 1965-66 it would be $4.93 a ton, and the total number of tons of coal subvented in 1965-66 was 4,533,309.

I would like to point out that there may be some confusion in the report you are looking at because that report was based on the fiscal year of the coal

board. We found that was no longer a useful way and the production figures I am giving you this year are for the calendar year because the Coal Board year runs to the end of March and it is difficult to get accurate production statistics in from all areas in time. That is why we have shifted our statistics now to the calendar year.

(*Translation*)

Mr. GOYER: Now, as I look at the subventions paid during the last few years, one can see by the last figure that you have given, $4.93 per ton, that the amount was increased by about $0.50 over the last fiscal year.

(*English*)

Mr. MACNAUGHT: It is an increase of approximately 50 cents over the 1964-65 year.

(*Translation*)

Mr. GOYER: We realize that in 1963-64, the amount was $4.78. In 1964-65, $4.45, a decrease of approximately $0.33. Over the last year, there has been an increase of $0.50. What is the cause of this increase in view of the fact that in regard to 1963-64, there has already been a substantial decrease of $0.33. In relation to 1963-64, we find that we have an increase, whereas in 1964-65, we had a decrease.

(*English*)

Mr. MACNAUGHT: I can give you the basic reason for the increase in 1965-66; cost of production has gone up. The pithead costs of every mine in the Atlantic provinces has increased substantially. Also, we are coming into more competition with residual oil, and this is being dumped into the Maritime provinces and wherever it can enter into effective competition with coal we must equate coal then against residual oil. It comes in there about $2.10 a barrel about four barrels of oil equals a ton of coal. There is another factor, although costs have been rising in Canada, costs in the United States have been kept relatively stable. Just recently there has been the first substantial increase in quite some time and that increase is due to wages.

Mr. SALTSMAN: On a point of definition, what exactly is meant by the term "residual oil"?

Mr. MACNAUGHT: Residual oil is what is left over when they have used the raw product for every purpose that they can. What is left over is of very little value except for combustion.

Mr. SALTSMAN: Is that different from the oil that is normally used?

Mr. MACNAUGHT: Oh yes. If you mean oil that is used in the home, oh yes, there is quite a difference in that.

Mr. A. BROWN (*Special Adviser, Dominion Coal Board*): There is a number 2 oil, a light oil and number 6 or bunker "C" oil which is a very heavy viscous oil very suitable for heavy industry use.

(*Translation*)

Mr. GOYER: Now, how much does a Canadian ton of coal cost, sold in Canada?

• (1.30 p.m.)

(*English*)

Mr. MacNaught: It would vary so much that I do not think I could give you any average. It would vary with the quality of the coal, the location and so on.

(*Translation*)

Mr. Goyer: I understand, but here again, according to the only figures we have here, unless you have more recent figures, that according to the annual report, the Canadian ton would cost approximately $7.35. Has this figure changed?

(*English*)

Mr. MacNaught: You must be giving me an average figure. I should imagine that it has increased.

(*Translation*)

Mr. Goyer: Do you have the price of the American ton?

(*English*)

Mr. MacNaught: At what particular point?

(*Translation*)

Mr. Goyer: An average price of the American ton sold here in Canada—a ton of American coal that we import here.

(*English*)

Mr. MacNaught: If you will just wait one moment I will ask Mr. Lovett.

(*Translation*)

Mr. Goyer: The ton of coal that we import from the United States, how much does that cost?

(*English*)

Mr. Peters: Could we have those figures tabled that he quoted from?

Mr. Lovett: The average mine cost, sir, would be in the neighbourhood of $4.50 a ton.

(*Translation*)

Mr. Goyer: Could you table the document you used to give us the approximate price of the ton of Canadian coal at $7.15? Mr. MacNaught, could you explain the difference in the price as far as 1965-66, if I am not mistaken, the figure of $7.15...

(*English*)

Mr. Lovett: The figures were for 1964.

(*Translation*)

Mr. Goyer: And for the year 1963, is it $7.35 a ton also?

(*English*)

Mr. LOVETT: That figure, sir, is in the 1963-64 annual report, of which we have a copy here. Yes, the figure is $6.99.

(*Translation*)

Mr. GOYER: What would be the difference between the price of a ton of Canadian coal and the price of a ton of coal that we import from the United States?

(*English*)

Mr. LOVETT: Would that be the reason for the difference in price or just the arithmetic figure?

Mr. GOYER: The arithmetic figure.

Mr. LOVETT: It is $2.65.

(*Translation*)

Mr. GOYER: That would mean that every ton we import from the United States represents a saving of $2.65 compared to the ton we produce in Canada.

(*English*)

Mr. MACNAUGHT: Again, it is so difficult to answer a question like this because there are factors involving freight, points of consumption and so on. If the coal has to be moved in Canada for a long distance naturally the cost is higher. The freight charges will be higher.

(*Translation*)

Mr. GOYER: Would it not be possible to obtain an approximate figure which would give us an idea of how much we save when we buy a ton of coal in the United States, compared to a ton of coal produced in Canada?

(*English*)

Mr. MACNAUGHT: Again I say it would only be possible to give you those figures, with any meaning behind them, at the particular point of consumption.

(*Translation*)

Mr. GOYER: Can we hope that these figures will be tabled, for the Committee?

(*English*)

Mr. MACNAUGHT: If you asked for any particular point, yes, we can give it to you.

(*Translation*)

Mr. GOYER: Again approximate figures. Is it possible to get an approximate figure? I see that in your annual report you give approximate figures for the Canadian production. Could we have similar figures for our imports?

(*English*)

Mr. MACNAUGHT: I will ask Mr. Lovett if he thinks that is possible.

Mr. LOVETT: I think I would like to reply in written form, sir.

Mr. MACNAUGHT: My financial adviser to the board says he would like to reply to that statement in a written form.

The CHAIRMAN: I may say at this point the procedure in the past, when we have asked for information of this nature, has been that if at the time the question was asked the information was not available, then it could be provided to the Committee at a later date under item 1, so that it would not impair the progress of the Committee in dealing with the vote at hand. I am not quite sure, but it well may be that in certain instances the information asked for, of course, may not be within the ambit of the operation of the group to whom the question is directed, and I am not sure if that is the case or not the case here because I believe you were asking about the average price of American coal. I do not know if this is the right authority to which that question should be directed.

(*Translation*)

Mr. GOYER: No, no, no I correct you right away. I am not asking what is happening in the United States. I want to know about the American coal that is brought into Canada.

(*English*)

Mr. DAVIS: Could I ask a supplementary question for clarification. I think the question he is asking is for the average difference between the delivered or retail price of the Canadian coal and the American coal. Surely this is the subvention divided by the number of tons subvented which is the figure you have right there.

Mr. LOVETT: Roughly speaking, that is correct, but it is correct only in so far as averages are concerned.

Mr. DAVIS: That is what we want.

(*Translation*)

Mr. GOYER: Here again, you see, I would like to have the figure you are going to give us to compare it with the subvention we are paying in Canada. It does not mean, I differ in opinion with my honourable colleague, but I would like to see whether the figures really correspond. That is what I would like to see. If the difference beetween the Canadian and the American ton corresponds to the subvention, the government pays for Canadian coal. That is the important point. I do not want you to take it for granted that the subvention is equal to the difference in cost between the two types of coal. Now, in your annual report, you mention, in the sources of energy per physical unit, that coal represented in 1964, 12.7 per cent of the sources of energy in Canada. According to your forecast, is this percentage likely to increase or decrease?

(*English*)

Mr. LOVETT: The percentage to the over-all raw consumption of energy with regard to coal probably will decrease only in percentage terms but in absolute terms it will increase.

(*Translation*)

Mr. GOYER: By about how much?

(*English*)

Mr. LOVETT: I am sorry, that would be a forecast and I am not competent to answer that question.

(*Translation*)

Mr. GOYER: Would you have any figures you could provide the Committee regarding your forecast about the coal market in Canada?

(*English*)

Mr. MACNAUGHT: We have no such figures with us. We can prepare them, but we have not them with us at this time.

(*Translation*)

Mr. GOYER: In your annual report, you mention that in 1963 there were 57 mines operating in Canada. How many are there at the present time?

(*English*)

Mr. MACNAUGHT: I am advised there are approximately 100 mines in operation in Canada at the present time.

(*Translation*)

Mr. GOYER: Does this mean that these new mines produce coal that is also subventioned? In brief, does this mean that your policy is to allow new mines to open in Canada, and that the coal produced in these mines will also be subventioned as the 57 were in 1963?

(*English*)

Mr. MACNAUGHT: No. All the orders in council which are given to the coal board for the purposes of subventing coal have basic years in them during which the particular mine must have been producing coal. In Nova Scotia, the basic year is 1956 and 1957 and all the other orders in council relating to New Brunswick, Saskatchewan, British Columbia and Alberta, the basic year is 1958. But again with the provision that if a mine becomes exhausted due to no more coal or for some other reason, they can move to another mine, but no new mine per se is entitled to subvention.

(*Translation*)

Mr. GOYER: In other words the companies who were operating the fifty-seven mines in 1963 are operating the one hundred coal mines in 1965-66.

(*English*)

Mr. MACNAUGHT: The translating system was not working at the beginning of your question and I did not get the significance of it.

(*Translation*)

Mr. GOYER: The English interpreter is not as used to translating as much as the French one. That is the reason why, probably. Are the companies that were operating the fifty-three mines in 1963 the same companies as are operating the hundred to-day?

English)

Mr. G. W. McCRACKEN (*Administrative officer, Dominion Coal Board*): I think you are reading from the section, Canadian coal mine operating cost and revenues of the annual report, where the 55 or 57 mines are mentioned. The statement was made that there are 100 coal mines operating in Canada today.

The figures on which these operating costs and revenues were based, are voluntarily sent in by as many mines as will confidentially co-operate and there were 57 of them. Actually there were 100 mines operating at that time. The difference between the 57 and the 100 that was mentioned is not a matter of new mines; it is a matter that these average costs, revenues and so on, are based on confidential reports received by the Dominion Coal Board from 57 mines, the mines that co-operate in this way. It is not at all a case of 50 new mines.

Translation)

Mr. GOYER: Is it just voluntary—these reports that are sent in by the mines to the Coal Board—is it on a voluntary basis?

English)

Mr. BROWN: No, any mine receiving subvention is obliged to report his costs.

Translation)

Mr. GOYER: In that case, let us deal with the mines that are subventioned. How many, were subventioned—in 1963?

English)

Mr. McCRACKEN: The mines themselves actually are not under subventions. The coal that moves from mines that were in satisfactory operation is under subvention. There are approximately 25 mines.

Translation)

Mr. GOYER: We are told that the mines that produce subventioned coal must submit reports to the Federal Coal Board. How many of these mines reported in 1963?

English)

Mr. BROWN: All of them are obliged to, and we can readily get that number. In general terms, I would say, that all the mines in the Maritimes are receiving this subvention, because they cannot exist without it in the face of the competition, as our Chairman mentioned, by imported residual fuel oil.

The amount of subvention drops much greater in the west, particularly in Saskatchewan, where most of it is sold locally. In the west it is essentially what goes to Japan in the order of 1 million tons from three specific mines, Crowsnest Industries, Coleman Collieries Industries and Canmore Mines Limited. There is small amount of coal coming eastward as far as Ontario. We will be glad to give you the exact number receiving subvention.

Translation)

Mr. GOYER: With regard to this number of mines per province for 1963, would you also give us the figures for the last year for which you have figures?

(*English*)

Mr. MacNAUGHT: We can do that for you.

The CHAIRMAN: Are there any further questions?

Mr. SALTSMAN: Is this residual oil imported or is it domestic production?

Mr. MacNAUGHT: It is mostly imported oil. None of it is from the production of crude oil in Canada. Some of it is refined as a result of the refinery at St. John's particularly, and the other residual oil comes in mostly from the Caribbean area, Venezuela largely.

Mr. SALTSMAN: Does it come in directly that way or as crude.

Mr. MacNAUGHT: No, it comes in as residual oil. It leaves Venezuela in ships, sometimes without a destination port and then it gets a destination port when on the high seas.

The CHAIRMAN: I have three other people who have indicated they would like to ask questions, Mr. Hales, Mr. Latulippe, Mr. Peters, and then Mr. Bower on the second round.

Mr. HALES: These figures may have been given and I missed them. How much is the subvention that we pay on the movement of coal per ton?

Mr. MacNAUGHT: The average for Canada?

Mr. HALES: Yes.

Mr. MacNAUGHT: The average per ton is $4.93.

Mr. HALES: The subvention for the equality of coal in connection with imported coal is what average?

Mr. MacNAUGHT: There is no differentiation in the figures I have. This is for residual oil and American coal.

Mr. HALES: I am referring to subsidiary payments under an act to place Canadian coal used in the manufacture of iron and steel on a basis of equality.

Mr. MacNAUGHT: You are referring to the Canadian Coal Equality Act.

Mr. HALES: That is right. How much per ton?

Mr. MacNAUGHT: Well, that is on Canadian coal used for the making of coke and that has dropped substantially this year. It is no longer very meaningful; it amounts to $134,611.

Mr. HALES: But how much per ton?

Mr. MacNAUGHT: It is 49½ cents a ton.

Mr. HALES: How many people are in the coal industry in Canada?

Mr. MacNAUGHT: By that you mean how many are engaged in the mining of coal. If so, I am told there are about 8,500 people mining it.

Mr. HALES: And the complete operation will cost the Dominion Coal Board roughly $22½ million?

Mr. MacNAUGHT: I would not say that is the operational cost of the Dominion Coal Board. I think the operational costs of the Dominion Coal Board is relatively smaller.

Mr. HALES: I mean the subventions.

Mr. MACNAUGHT: The subventions we have to administer by order in council is that figure, yes.

Mr. HALES: We have roughly 25 mines that are dependent upon subventions and so on?

Mr. MACNAUGHT: That is the figure I have been given today. Personally I would have thought it was larger, but I have to rely on the experts.

Mr. HALES: It would appear to be that we would be well advised to give this $22½ million, divide it up and pay it to all the people who are in the coal industry and thereby face the facts.

Mr. MACNAUGHT: I am afraid that is a matter of policy on which I am not capable of making a comment at the present time.

Mr. HALES: I just make this suggestion.

Mr. MACNAUGHT: Years ago I would have made a comment on it, but I am afraid today I cannot.

Mr. HALES: How many people would be employed in the 25 mines?

Mr. MACNAUGHT: I should imagine with big mines under subvention like the Dominion Coal Company and so on, that 80 per cent of the figure I gave you would be working in mines that get subventions.

Mr. HALES: I just throw this out for future thought. I think we should give it further study.

The CHAIRMAN: You can bring that up in the Public Accounts Committee, Mr. Hales.

The next questioner I have on the first round of question is Mr. Latulippe.

(*Translation*)

Mr. LATULIPPE: The coal imported from the States was mentioned. Does the ton of American coal have an equal value to that of the Canadian coal?

(*English*)

Mr. MACNAUGHT: The American coal has advantages over Canadian coal for the purpose for which it is imported into Canada. It is a slightly better metallurgical coal; it has a lower sulphur content and today when it is necessary to produce competitive steel it is necessary to use a very low sulphur content coal. We get that coal from the Pennsylvania area and Virginia.

(*Translation*)

Mr. LATULIPPE: Could you give us the percentage of coal that Quebec imports from the western provinces?

(*English*)

Mr. MACNAUGHT: I am told Quebec imports no coal from the western provinces. It imports coal from the Maritime provinces, largely from Sydney and some small quantities from the Minto coal area in New Brunswick.

(*Translation*)

Mr. LATULIPPE: I thought I understood a moment ago, regarding subsidies, that Quebec does not receive any subsidies. Why does Quebec not receive the same subventions as the other provinces?

(*English*)

Mr. MACNAUGHT: If I created that impression then I created a very wrong impression, because the orders in council providing subvention for Nova Scotia coal and for New Brunswick coal, definitely provide that the coal can be subvented going into the province of Quebec and going into the province of Ontario. There are substantial quantities of coal from Sydney and much lesser quantities from Minto at the present time going into the province of Quebec. Only this morning, I was dealing with an order for the camp at Valcartier, for coal from Bras d'Or in the Sydney area. Shipments to Quebec from Nova Scotia last year amounted to 1,060,000 tons at a cost of $7,152,000. The average cost was $6.74. I should imagine that every ton of that coal was subvented and had a subvention built into it.

The CHAIRMAN: The next questioner on the first round is Mr. Peters.

Mr. PETERS: Mr. Chairman, what are the factors that make up the cost accounting that results in the paying of subventions?

Mr. MACNAUGHT: First of all, we take what we call the pithead costs. They vary, in every mine that I know anything about in Nova Scotia, pithead costs are different. Then we take the freight, the trucking at the end of the line and that is equated against the competition that is there. It may be American coal and if it is on the waterfront it would very likely be residual oil and, of course, the subsidy will be higher against residual oil than it will be against American coal. But those are the two things we equate against.

Mr. PETERS: Say, for instance you have an order for coal to Ontario Hydro; you are bringing this coal in and the subvention is paid, I presume, on the pithead costs plus transportation costs.

Mr. MACNAUGHT: It is all taken up by boat now.

Mr. PETERS: I am glad to hear that because that is the question I am really asking. What effect on the subventions will the increasing of the tolls on the St. Lawrence have in relation to the subventions?

Mr. MACNAUGHT: It will increase, but by how much I cannot say.

Mr. PETERS: If we double the toll we will not necessarily double the subvention, but how much is it going to cost Canada for the subvention you are now paying in relation to transportation costs as opposed to doubling of the tolls in the seaway?

Mr. MACNAUGHT: That would be a complicated mathematical sum to work out. I am advised that the increase would amount to $375,000 in one year.

The CHAIRMAN: You are next, Mr. Saltsman.

Mr. SALTSMAN: Mr. Chairman, I had not intended asking any questions, but in the course of the questioning that did take place some interesting things have arisen. On this question of the cost per employee working in mines under

subvention—in other words, the subsidy to employees or the amount of subsidy to an employee working in a mine under subvention conditions—just roughly, it looks like $4,000 or $5,000 a year per person. I recognize that this is not the only cost to be considered because there are social costs and community costs; there is the question of all the people who make an ancillary livelihood from those who work in the mine; there is the question of balance of payment and losses from invested capital. I realize all these things have to be considered. But it is a rather startling figure to think that the cost of perpetuating some of these mines amounts to between $4,000 and $5,000 per employee. It is almost a subsidy. We recognize the value of maintaining some of these communities. I do not think anyone wants to take the attitude: Well let them be wiped out because they do not carry their own weight. Does the question not arise about re-investing in some other type of industrial enterprises in those areas rather than having the coal mines in view of this rather large figure that just appears on the surface?

• (2.00 p.m.)

Mr. MacNaught: I am afraid again that I should not get into a discussion on what is substantially and absolutely government policy. If it is government policy to subvent coal and it gives the coal board an order in council under which to work, I work under that order in council. It is a matter of government policy. If I were free to speak my mind, I would argue the point with you, but I am afraid in my present position I cannot get into a discussion on government policy.

Mr. Saltsman: Maybe it is just as well you are not free to speak your mind. Thank you.

The Chairman: That concludes the first round of questioning and I do not see anyone else who wishes to ask questions on the first round. Mr. Bower, you are the first questioner on the second round.

Mr. Bower: I would like to ask Mr. MacNaught what part of the $22,326,500 is represented by subventions to the Nova Scotian mines?

Mr. MacNaught: In Nova Scotia the subvention was $17,729,904.65. I can give you the figures for each province if you wish: New Brunswick, $1,631,925, Saskatchewan $104,830, Alberta and British Columbia, exports excluded, $188,394, and Alberta and British Columbia, the Crowsnest area, for export and for ship stores, $2,708,075. That makes the total $22,363,000.

Mr. Bower: In arriving at the subvention of coal versus oil, I presume you take the b.t.u. equivalent.

Mr. MacNaught: That is right.

Mr. Bower: And on top of that do you take the equality; that is to say, do you penalize the coal for sulphur to further define that subvention?

Mr. MacNaught: There might be some very slight penalties but today the power producers can burn almost run of the mine coal, and penalties are not so great. Those penalties would be figured basically on the b.t.u. We will take Sydney coal, it has 27 million b.t.u's per ton. You can work that out on oil and it works out to about a little over 4¼ barrels of bunker oil to a ton of Sydney coal.

Mr. BOWER: There is just one other point I wanted to get clear in my mind. In contrasting the cost of coal and imported residual, is there any subvention given to the coal mines as against residual oil locally that is, residual oil consumed in the Maritime provinces?

Mr. MACNAUGHT: Oh yes. The residual oil is really used in the Maritime provinces. I do not believe there is any residual oil used in Ontario, not of foreign manufacture.

Mr. BOWER: Do you have a figure on how much of the total subvention is given against fuel oil?

Mr. MACNAUGHT: We do not have that figure here, but we can get it.

Mr. BOWER: That is fuel oil used in the Maritimes.

Mr. MACNAUGHT: Yes, used in the Maritimes. We can get that figure.

The CHAIRMAN: Are there any further questions of the Dominion Coal Board?

Mr. AIKEN: I have a couple of questions relating to the position of the Japanese sales. Could I ask, first of all, if the board has information of the expiring date of the Japanese coal contract. How long do they run?

Mr. MACNAUGHT: They run to 1967.

Mr. AIKEN: Is there any negotiations at present to renew these contracts. What is the position on that?

Mr. MACNAUGHT: As far as I know, the Crowsnest people are in Japan at the moment negotiating new long term contracts for the export of very large quantities of coal. Coleman Collieries Limited are also negotiating long term contracts with the Japanese for the export of coal.

Mr. AIKEN: As I recall it, there was some very keen bidding for the Japanese market by other countries. Do you know if there are substantial quantities of coal used in Japan from other countries?

Mr. MACNAUGHT: Yes, there are substantial quantities used from Australia and from the United States, but the metallurgists from Japan have found that the coal in the new mines that are going to be opened at Crowsnest suit their requirements very ideally.

Mr. AIKEN: I believe the only reason they would be convinced to deal with us would be to get a better product.

Mr. PETERS: I have a supplementary. Do the Japanese own these mines or do they have a large economic interest in the mines themselves?

Mr. MACNAUGHT: They certainly do not own them, but they are indicating a desire to invest in them.

Mr. MCCUTCHEON: A further supplementary, Mr. Chairman. You mentioned, in answer to a question from Mr. Davis, on optional or a competitive means of transportation. Do you care to elaborate on that?

Mr. MACNAUGHT: I think most people in British Columbia know about it, at any rate. There is an alternative route down to a place called Eureka in

Montana where they will link up with the Great Northern Railway and transport the coal to near Seattle or some such place.

Mr. McCUTCHEON: I thought you were going to refer to some exotic thing like a pipe line.

Mr. AIKEN: I would like to know what the total annual sale to Japan is at the present time?

Mr. MACNAUGHT: It is roughly 1 million tons.

Mr. AIKEN: And at what price?

Mr. MACNAUGHT: I do not know the price. I know what subventions we are paying on it, and the average is $2.79.

Mr. AIKEN: In addition to that subvention, is there an additional transportation cost paid by the federal government?

Mr. MACNAUGHT: Not that I know of. I do not think so.

Mr. AIKEN: My recollection is that from the first contract entered into there were two factors. One was dealing with the competitive position and the other was a transportation factor. Are they both included in this figure of $2.79?

Mr. MACNAUGHT: I believe the subvention looks after all those factors.

Mr. AIKEN: You did not have a figure for the price of this coal. Is it a commercial secret or is it just that you do not have that figure?

Mr. MACNAUGHT: They are commercial and this is basically why we do not toss the figures around.

Mr. AIKEN: I would assume that the Dominion Coal Board has these figures?

Mr. MACNAUGHT: Absolutely. We have the figures, but we got them in confidence, and the coal companies resent passing them on to their competitors.

Mr. AIKEN: I would imagine so, but we will have to get some idea of whether the economy of the country is benefiting by the payment of this subvention. Perhaps we could get at it in another way. What is the total amount in dollars paid in subventions on the Japanese coal?

Mr. MACNAUGHT: The amount is $2,708,000.

Mr. AIKEN: Oh yes, that was the last figure you gave on the Crowsnest. Could you tell us how many persons are employed in the mining of that coal?

Mr. MACNAUGHT: There are basically three mines, Coleman, Canmore and Crowsnest, and approximately 1,000 people.

Mr. AIKEN: By a very rough calculation it is a somewhat smaller cost to the economy than the American coal?

Mr. MACNAUGHT: That is correct.

The CHAIRMAN: Are there any further questions?

(*Translation*)

Mr. GOYER: Just one point for clarification. Mr. Chairman, I have found in my references here with regard to the ton produced in Canada, $7.15 was

mentioned a while ago. Here in the report for 1963, I find $7.35. Do you not think there might have been a mistake in reading the figures? I find that in "operating costs and income for Canadian Coal Mines in 1963" The operating costs, generally speaking, have increased by 36 cents, which gives us a total of $7.35 per ton produced.

(*English*)

Mr. LOVETT: I might say that the comparable costs for the last three years for which we have records are $6.99 a ton, $7.35 a ton and $7.15 a ton; the last year being 1964.

(*Translation*)

Mr. GOYER: This means to say that in relation to 1963, there was a decrease in the cost of producing coal, a decrease of 20 cents.

(*English*)

Mr. LOVETT: That is correct, sir, on the average.

(*Translation*)

Mr. GOYER: Then, there was a substantial increase, as we saw a moment ago, in the cost of the subvention per ton?

(*English*)

Mr. LOVETT: That is also correct.

(*Translation*)

Mr. GOYER: I got the answer to the last question. Thank you.

(*English*)

Mr. MCCUTCHEON: I have one slight supplemental to Mr. MacNaught.

The CHAIRMAN: I do not know if there is any judicial distinction between a slight supplemental and a full supplemental.

Mr. MCCUTCHEON: I do not like hair splitting. I want to leave this room with the feeling in my mind and I think I have got what you intended to convey, that on this coal in the Rockies that is being negotiated with Japan, it might go by an American railroad to the coast or however it gets there, but this business stands on its own and this is not to be subvented. Did I understand that correctly?

Mr. MACNAUGHT: It is the hope that when this contract is finally negotiated it will be such that it will be able to move without a subvention, but that is not absolutely definite yet. I think it will be realized though.

Mr. MCCUTCHEON: Thank you for your assurance.

Mr. PETERS: If it is moved by the Great Northern Railway through the American port we would not be willing to pay a subvention on any part of the costs outside of Canada, would we? In other words, we are not going to subsidize the Great Northern Railway.

Mr. MACNAUGHT: I am firmly of the opinion that if it moves that way it will move without any subvention. I do not know whether the order in council

restricts us to Canadian ports. At one time the order in council did restrict us to Canadian ports, but whether the present one restricts us to Canadian ports or not, I do not know. They have been changed three or four times in the last 10 or 15 years.

Mr. McCracken: In actual fact, the development of the export trade to Japan largely began by exporting firstly through Seattle, until proper loading facilities became available at Port Moody. That movement was originally subvented to a very high extent in order to test and experiment and try to get this trade established, and the subventions have been steadily coming down since then. Subventions were paid on coal going through the United States in order to get the trade going.

Mr. MacNaught: Mr. Peters, I have just looked at the order in council and there is no limitation on the port of export.

Mr. Peters: Mr. Chairman, I may be second guessing this Committee but I would rather think that we would be in a position of recommending against subvention being paid on American transportation costs. I am wondering if this will be developed and in operation before your next financial report?

Mr. MacNaught: No. I should imagine it would be approximately one to two years before the improvements needed in the mine would permit the completion of a contract of the magnitude they hope to negotiate with Japan.

The Chairman: I would like to ask a supplementary question at this point. It was my understanding from the questions asked that one of the things that would make the other route attractive would be that it could be moved more economically and hence not require this subvention. Is that correct?

Mr. MacNaught: That is correct.

Mr. McCutcheon: Mr. Chairman, you have been dealing with water resources around here so long that you have become an expert on diversion.

Mr. Aiken: Mr. Chairman, I wonder if I could ask another question. I raised some questions on the Japanese coal sales and it is obvious that if we bargain too hard we may be coming very close to the point where the economics would have to be reconsidered. To whom is a subvention paid? Can it be paid to a Canadian company owned and controlled by Japanese interests?

Mr. MacNaught: I know of no reason in the order in council or in the statute that would prevent such payment.

Mr. Aiken: Therefore, if we then bargain to sell coal to the Japanese and pay a subvention to the coal companies to transport it there, are we not coming very close to the point of not really subsidizing Canadians at all?

Mr. MacNaught: There is a built in precaution that the mine must have been in operation—I quote:

> Assistance shall be paid only on shipments of coal from a coal mine that was in regular operation under legal permit and was making regular shipments of coal throughout the year 1958.

Mr. Aiken: How often are these orders in council passed?

Mr. MacNaught: They are revised from time to time, mostly to increase the amount of subvention. In the east we have to revise them almost every second year because the amount of subvention increases. At the present time we are limited to a certain amount of subvention; in British Columbia it is $3.15 a ton.

Mr. Aiken: We are still well below that. Could I assume then that regardless of a change in ownership or holdings in the companies to which they are paid, that an order in council would continue, provided you stayed under the $3.15 item?

Mr. MacNaught: If it was producing coal in the basic year and still requires this subvention for export to Japan we could still pay them up to $3.15 a ton.

The Chairman: Any further questions?

Mr. Aiken: If this is a question of policy, I do not want to go into it any further; but it does seem there is a point here that makes it somewhat different to other arrangements that have been made and I think possibly should be raised somewhere else when the item comes up. Thank you very much.

Mr. Davis: It is my understanding that the Japanese have a distinct aversion to buying coal that is subsidized by a government of another country. Is this a fact or not?

Mr. MacNaught: I have been talking to some people from Japan and they have never mentioned to me that they have an aversion to taking coal that is subvented.

Mr. Davis: The argument that I have heard is that they are afraid the government in question could pull out the props in any year when they were buying coal increasingly on a long term.

Mr. MacNaught: I do not believe that could arise if they enter into a long term contract with Crowsnest to deliver so many tons of coal over a period of years at a certain price.

Mr. Davis: We could change the subvention.

Mr. MacNaught: Well then, Crowsnest would be the people to suffer, not the Japanese. They have to assume that the Crowsnest people are responsible and will carry out the contract.

The Chairman: Shall vote 100 carry?

Some hon. Members: Carried.

Item agreed to.

The Chairman: I might say there were a couple of questions to which the reply was that the information would be made available, so the fact this vote has been passed, in no way, affects that information and it can be tabled at a subsequent meeting. We now have one item left, the National Energy Board. The Chairman of this board had an appointment at 2.20 and it is now 2.25 so, he will be back with the National Energy Board, I presmue, on Tuesday. We have our next meeting scheduled for Tuesday at 11 o'clock. We will then continue with the National Energy Board. Mr. Saltsman has indicated an interest in

asking questions. He has been very quiet this past few days, so we can expect a lengthy discourse.

Mr. PETERS: Will the National Energy Board officials be prepared to answer questions in relation to the recent application of Trans Canada Pipe Line for a permit to export through another system in the United States?

The CHAIRMAN: This shall be drawn to their attention, Mr. Peters.

The meeting is now adjourned.

Appendix 4

OCTOBER 6, 1965.

CANADIAN COAL MINES
OPERATING COSTS AND REVENUES
1964

All comparisons in this statement have been based upon company reports of operations during the current year 1964 and those of the previous year 1963. Figures shown herein have been calculated on individual mines' fiscal years ending during 1964.

Operating costs decreased by 20 cents from $7.35 to $7.15 per marketable ton produced, the greatest decrease being in Distribution, which was 19 cents lower than last year. Revenues per ton sold or used showed a reduction of 45 cents, dropping from $7.50 to $7.05.

Production costs have decreased by 54 cents for Alberta Domestic (Stripping) and 30 cents for Alberta Mountain, British Columbia and Yukon, with the remaining Provinces showing increases of 39 cents for Nova Scotia, 40 cents for New Brunswick, 11 cents for Saskatchewan and 28 cents for Alberta Domestic (Underground).

Revenues per ton sold have decreased for all provinces from 6 cents to 47 cents per ton except for New Brunswick which showed an increase of 28 cents.

Profit on coal operations of 15 cents per ton in 1963 has decreased to a Loss of 10 cents per ton for 1964, the largest decreases being in Nova Scotia which dropped from a Profit of 13 cents to a Loss of 32 cents, and Alberta Domestic (Underground) from a Profit of 43 cents to a Loss of 32 cents.

A grouping of reporting mines by overall profit or loss position, that is including the profits or losses from other operations, but before income tax is as follows:

Grouping	Mines Reporting	Tonnage	% of Total Production	Profit or Loss
Profit $1.00 and over	8	1,196,847	11.3	$1.29
Other Profits	28	3,913,281	36.8	.27
Losses	21	5,519,625	51.9	.36

Underground production for this year has decreased by 55,450 tons while the production for stripping operations has increased by 632,032 tons for a net increase of 576,582 tons.

The total tonnage of coal mined was as follows:

	Underground	Strip
Nova Scotia	4,354,723	....
New Brunswick	124,356	743,392
Saskatchewan	....	1,904,694
Alberta Domestic	364,381	1,496,427
Alberta Mountain	660,264	68,894
British Columbia	824,921	79,737
Yukon	7,964	....
	6,336,609	4,293,144

The number of mines reporting remained the same as in 1963 at 57 mines.

The Dominion Coal Board is very grateful to the operators who so willingly co-operated by supplying the information to be used in compiling this report.

C. L. O'BRIAN,
Chairman.

CANADIAN COAL MINES OPERATING COSTS AND REVENUES 1964

	Nova Scotia		New Brunswick		Saskatchewan		Alta. Domestic (Underground)		Alta. Domestic (Stripping)		Alta. Mountain B.C. & Yukon		Total Canada	
	Cost %	$	Cost %	$	Cost %	$	Cost %	$	Cost %	$	Cost %	$	Cost %	$
OPERATING COSTS														
Labour	47.0	5.19	38.7	3.54	20.3	.36	37.9	2.47	30.0	.61	36.7	2.51	42.5	3.04
Welfare Fund	1.5	.17	.3	.03	2.3	.04	4.0	.26	1.5	.03	4.1	.28	1.8	.13
Vacation Pay	4.1	.45	1.1	.10	1.1	.02	2.1	.14	1.0	.02	1.7	.12	3.1	.22
Workmen's Compensation	2.5	.28	1.7	.15	1.7	.03	3.7	.24	—	—	2.8	.19	2.4	.17
Maintenance, Repairs & Supplies	19.4	2.14	27.4	2.50	15.3	.27	7.4	.48	10.8	.22	12.4	.85	18.3	1.31
TOTAL MINE COSTS	74.5	8.23	69.2	6.32	40.7	.72	55.1	3.59	43.3	.88	57.7	3.95	68.1	4.87
Taxes and Insurance	1.8	.20	2.3	.21	6.8	.12	3.4	.22	2.5	.05	2.6	.18	2.3	.16
Power	3.4	.38	4.7	.43	4.5	.08	3.2	.21	2.5	.05	3.5	.24	3.6	.26
Royalties	1.0	.11	1.8	.16	—	—	2.4	.16	3.4	.07	.9	.06	1.1	.08
Administration & Supervision	4.6	.51	3.9	.36	11.3	.20	9.4	.61	11.3	.23	8.1	.55	5.7	.41
Miscellaneous Expense	1.3	.14	.3	.03	1.1	.02	1.2	.08	1.5	.03	3.5	.24	1.6	.11
TOTAL COST TO TIPPLE	86.6	9.57	82.2	7.51	64.4	1.14	74.7	4.87	64.5	1.31	76.3	5.22	82.4	5.89
Tipple & Washing Plant	1.5	.16	2.8	.26	4.5	.08	.8	.05	7.9	.16	15.4	1.05	4.0	.29
TOTAL COST F.O.B. CARS	88.1	9.73	85.0	7.77	68.9	1.22	75.5	4.92	72.4	1.47	91.7	6.27	86.4	6.18
Depreciation	3.2	.35	11.5	1.05	19.8	.35	19.0	1.24	18.2	.37	5.7	.39	6.2	.44
Depletion	.8	.09	1.2	.11	3.4	.06	.3	.02	3.0	.06	.6	.04	1.	.07
Bond & General Interest	.8	.09	1.5	.14	1.1	.02	.1	.01	1.0	.02	—	—	.8	.06
Distribution	7.1	.78	.8	.07	6.8	.12	5.1	.33	5.4	.11	2.0	.14	5.6	.40
TOTAL COSTS	100.0	11.04	100.0	9.14	100.0	1.77	100.0	6.52	100.0	2.03	100.0	6.84	100.0	7.15
COAL PRODUCED (NET TONS)	4,354,723		867,784		1,904,694		364,381		1,496,427		1,641,780		10,629,753	
TONS PRODUCED PER MAN DAY	2.91		4.22		38.54		5.96		26.82		5.91		4.96	
NET TONS OF COAL SOLD	4,543,872		884,846		1,903,576		374,891		1,496,471		1,596,609		10,800,265	
REVENUE PER NET TON SOLD	10.72		8.59		1.68		6.20		2.10		7.03		7.05	
Profit or loss on coal operations only	L .32		L .55		L .09		L .32		P .07		P .19		L .10	
Profit or loss on other company operations	P .18		P .36		P .09		P .41		P .03		P .58		P .16	
Profit or loss as per company balance sheets	L .14		L .19		L NIL		P .09		P .10		P .77		P .06	

Appendix 5

Subvention Payments Made in 1965-66
Re Movements of Nova Scotia Coals

		Tons	Amount	Average Rate
Totals All Provinces	Coal Competion	1,034,954.63	$ 7,969,756.18	$ 7.70
	Oil Competition	1,627,985.63	9,760,148.47	6.00
		2,662,940.26	$17,729,904.65	$ 6.66
Totals Atlantic Provinces	Coal Competition	137,004.85	$ 354,442.42	$ 2.59
	Oil Competition	850,002.63	3,461,587.55	4.07
		987,007.48	$ 3,816,029.97	$ 3.87

Appendix 6

Difference in Laid Down Costs
1964

AT MONTREAL

	Slack Size	Stoker Size
Nova Scotia Coal		
Cost at pithead (average)	$ 11.04	$ 11.04
Transportation by rail, over pier and boat to destination	3.12	3.12
Cost, alongside dock	$ 14.16	$ 14.16
United States Coal		
Selling price at pithead (average)	3.75	4.90
Transportation by rail, over pier and boat to destination	5.45	5.45
Exchange factor	.58	.67
Cost, alongside dock	9.78	11.02
Difference	$ 4.38	$ 3.14

June 29, 1966.
AWL:ls

OFFICIAL REPORT OF MINUTES

OF

PROCEEDINGS AND EVIDENCE

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

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STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. RICHARD CASHIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

TUESDAY, JUNE 21, 1966

THURSDAY, JUNE 23, 1966

Main Estimates (1966-67) of the
Department of Mines and Technical Surveys

WITNESSES:

Mr. J. W. MacNeil, Director, Resource Development Branch;
Mr. Ian N. McKinnon, Chairman, National Energy Board.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24707—1

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Richard Cashin

Vice-Chairman: Mr. Ovide Laflamme

and

Mr. Addison,
Mr. Andras,
Mr. Beaulieu,
Mr. Bower,
Mr. Davis,
Mr. Faulkner,
Mr. Forest,
Mr. Fulton,
Mr. Goyer,
Mr. Grafftey,
Mr. Hales,
Mr. Hopkins,
Mr. Langlois (*Chicoutimi*),
Mr. Latulippe,
Mr. Legault,
Mr. McCutcheon,
Mr. O'Keefe,
Mr. Peters,
Mr. Reid,
Mr. Saltsman,
Mr. Scott (*Victoria (Ont.)*),
Mr. Sherman—(24).

(Quorum 9)

R. V. Virr,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY June 21, 1966.
(8)

The Standing Committee on Industry, Research and Energy Development met this day at 11.05 o'clock a.m., the Chairman, Mr. Cashin, presiding.

Members present: Messrs. Andras, Bower, Cashin, Davis, Goyer, Legault, McCutcheon, Peters, Saltsman (9).

Also present: Mr. Aiken, M.P. and Mr. Cowan, M.P.

In attendance: Mr. J. W. MacNeill, Director, Resource Development Branch; Mr. Ian N. McKinnon, Chairman, National Energy Board.

The Chairman called item 10 respecting the roads to resources programme and invited the members to question Mr. J. W. MacNeill, Director, Resources Development Branch.

After a series of questions regarding the possibility of extending the programme, item 10 was carried.

The Chairman then called item 110 relating to the National Energy Board and introduced Mr. McKinnon, Chairman, National Energy Board.

The Committee questioned Mr. McKinnon at length in regard to the petroleum industry.

Mr. Saltsman questioned the witness about the national oil policy as it affects the Canadian Consumer and the price of crude oil in the Montreal area. In this connection, Mr. Saltsman suggested calling Mr. Klaus Oehr, importer, to testify before the committee. The Chairman said that the Subcommittee would consider this suggestion.

Having been given notice by Mr. Peters, Mr. McKinnon read a prepared statement regarding a proposal by Great Lakes Gas Transmission Company to construct a new pipeline passing through the United States to deliver gas to Ontario and Quebec Markets.

Mr. Andras supported Mr. Peters' statement that the pipeline should be looped through Northern Ontario instead of the United States.

And the questioning of the witness continued.

At 12.50 o'clock p.m., the meeting adjourned to the call of the Chair.

THURSDAY June 23, 1966.
(9)

The Standing Committee on Industry, Research and Energy Development met this day at 11.05 o'clock a.m., the Chairman, Mr. Cashin presiding.

24707—1½

Members present: Messrs. Andras, Bower, Cashin, Davis, Faulkner, Forest, Fulton, Laflamme, McCutcheon, O'Keefe, Peters, Reid, Saltsman, Scott (*Victoria (Ont.)*) (14).

The Chairman informed the meeting that the Subcommittee on Agenda and Procedure has considered the possibility of calling Mr. Klaus Oehr to appear before the Committee and has decided against it at this time.

The Chairman also informed the meeting that the Subcommittee on Agenda and Procedure has considered the possibility of calling Mr. Klaus Oehr to appear before the Committee and has decided against it at this time.

The Chairman also informed the members that the Subcommittee recommends that the Committee seek authority to sit while the House is sitting during the period Monday, June 27 to Thursday, June 30 inclusive for the purpose of considering the estimates of the Department of Mines and Technical Surveys and the National Research Council.

It was moved by Mr. Laflamme, seconded by Mr. McCutcheon, that the Committee seek authority to sit while the House was sitting for the period Monday, June 27 to Thursday, June 30 inclusive.

Speaking to the motion, Mr. Peters objected to the principle of rushing the estimates through by a pre-determined date. He stated he had many questions to ask regarding the National Energy Board and asked for assurance that he would be given this opportunity.

Mr. Fulton suggested that the estimates of the National Energy Board might be withdrawn from the main estimates of the Department of Mines and Technical Surveys; thus permitting the remainder of the Departmental estimates to be reported to the House.

The Chairman stated that this suggestion would be considered by the Subcommittee.

And the question being put it was carried on division.

At 11.30 o'clock a.m., the meeting adjourned to the call of the Chair.

R. V. Virr,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

TUESDAY, June 21, 1966.

The CHAIRMAN: Order gentlemen. The order for today as you know is to call the National Energy Board. However, Vote 10, under the Resource Development Branch, covers the roads to resources agreement, and it has been suggested that this gentleman will not be available next week and therefore if it is your wish we could call this vote now, prior to calling the National Energy Board. Does that meet with the approval of members of the Committee? All right, we will call vote 10.

DEPARTMENT OF INDUSTRY

10. Contributions to the Provinces, pursuant to agreements entered into with the approval of the Governor in Council by Canada with the Provinces to assist inthe development of roads leading to resources, $4,527,500.

Is Mr. MacNeill here? Does anyone have any questions on Vote 10 which is on page 222 of your blue book? Any questions on that?

Mr. PETERS: Are you going to ask Mr. MacNeill to report on the roads to resources program being carried on in the province of Ontario and industrial sectors?

Mr. J. W. MACNEILL (*Director, Resource Development Branch, Department of Mines and Technical Surveys*): Yes, Mr. Chairman. The roads to resources program is gradually coming to an end, as the members know. The termination date of the present agreement varies from province to province. Newfoundland and New Brunswick agreement expires March, 1969; the British Columbia agreement in 1968; the Saskatchewan, Ontario and Prince Edward Island agreements in 1967 and the Manitoba, Quebec and Nova Scotia agreements in 1966. Each agreement provides for one year following the expiration date for the completion of the program. We have recently received a request from a couple of provinces for another extension of their agreement.

With regard to Ontario, the Ontario program, as you may know, includes seven separate projects. The Savant Lake South project; Foleyet to Chapleau South project; Minaki South; Nakina North; Flack Lake Road; Port Arthur North, which is the Spruce River project, and the Lingman Lake project. This program includes some 540 miles of road serving mainly mining, forestry and fishing areas. I can give you a run down on the mileage completed to date with respect to each road, if you would like it. The Savant Lake road is completed, 80 miles out of 80 have been constructed. The Foleyet Chapleau road has been completed. The Minaki South road has also been completed as has the Nakina North road and the Port Arthur North road or the Spruce River road, as it is sometimes called. The Lingman Lake road, some 35 out of 220 miles have been

completed and the Flack Lake road some 8 out of 38 miles have been completed. So, over-all, of the 540 miles originally encompassed in the Ontario roads to resources program, approximately 325 miles have been completed. Expenditures to date in Ontario have been around $15.6 million and the federal contribution. as of March 31, 1966, was $6.6 million. As you know, the federal contribution to each province is limited to $7.5 million, under the program.

Mr. PETERS: Are you participating in the road program, with the connecting link between Sudbury and Timmins? It will come out on the Foleyet-Chapleau section of the road.

Mr. MacNEILL: I do not think so.

Mr. PETERS: Through Gogama?

Mr. MacNEILL: No, that is not included in the program.

Mr. PETERS: Could I ask why is this terminating at various dates for various provinces and, secondly why is the program terminating at all?

Mr. MacNEILL: The concept of the roads to resources program was developed originally, I understand, in 1958. At least, in 1958 the federal government worked out the ground rules for the program and in February of that year, the Minister of Northern Affairs who was then responsible for the program was authorized to enter into agreements with the provinces under which the federal government would undertake half the costs of approved roads to resources, subject to a maximum federal contribution to each province of $1.5 million a year. The negotiations on the agreements extended over a three year period, 1958, 1959 and 1960 and the details of the program in each province were worked out in negotiation with the provinces. The roads to be included in the program were recommended by the province and finally arrived at through consultation with the federal government.

Now, originally the program was envisaged as a five year program or plan with the federal government contributing 50 per cent of the cost of approved roads to a maximum of $7.5 million for each province, for an overall total of $75 million. Some of the provinces were late in joining the program—as I said, negotiations extended over a three year period—and others have requested that their agreements be extended for periods varying from one to five years. This is really why the termination dates of the agreements vary from province to province. They were concluded at a different point in time and the different provinces have requested different periods of extension for their agreements in order to complete the program.

Mr. PETERS: Mr. Chairman, I do not know how you would attack this matter. I do not know all the roads in Ontario that the director has mentioned, but the ones that I do know in northeastern and northwestern Ontario have obviously been well worthwhile and have opened up a considerable new area. It seems to me that this has been a successful program and a worth-while program and should be continued. There are many areas that could still take advantage of this, as far as Ontario is concerned, and I presume this is true in all the northern areas of most of the central and western provinces as well. I presume this is government policy and I do not know whether the Committee is in a position to make a recommendation. Could I ask if the provinces that have been

involved in the joint road to resources program have indicated other areas in which they would be willing to negotiate agreements if the program was extended beyond the foreseeable termination date?

• (11.15 a.m.)

Mr. MacNeill: Yes, Mr. Chairman. Several provinces have expressed the desire to have the roads to resources program either renewed or extended. Some would like it renewed, I believe if only to complete certain roads that were initiated under the program. I think that, if I may presume in this area, the position of the federal government is quite clear on a possible renewal or extension of the program. As I understand it, the government has indicated and, I believe, as late as last Thursday in the House my Minister reiterated, that it will be some time before all of the provinces have completed approved work under the current agreements. In the meantime, a study of the benefits of the program has been initiated with a view to examining the need for and the possible basis of a new program. This work should, obviously, be completed before any decision is made on whether or not to extend the program and, in addition, as my Minister pointed out in the House on Thursday, the tax structure committee is meeting this fall to consider the principles that will govern future tax and revenue sharing arrangements between the federal government and the provinces and it is obvious that the decisions resulting from the work of this committee will have a significant bearing on the cost shared programs, including the roads to resources program.

In brief, it is under study and will be considered but it is felt premature to make any decision on whether or not the program, as a cost shared program, should be extended or renewed.

Mr. Peters: Could I ask you if there has been any, in the development of this plan and its implementation, surprising results from the plan in terms of resource potential? I can think of one, for instance, the Kukatash iron deposits that have been made accessible by the Chapleau-Foleyet extension and also the tourist potential has been increased greatly by that particular road. In other instances, in other provinces, has there been any like potential established by this program?

Mr. MacNeill: I am not aware of any surprising results from the program, Mr. Chairman. I think that when the program was conceived and initiated it was anticipated that the opening up of new areas, rich in resource potential, would spark interest in prospecting and it would make it more economic to develop known mineral in certain areas and these benefits have, I think, flowed from the program in certain areas.

In other areas the program has been successful in opening up new recreation and tourist resources and this has sparked development in that sector. I think there have been significant benefits from the program which can be identified. I would not call them surprising; I think this was more or less anticipated and was one of the rationales behind the program in the first instance.

Mr. Peters: This is my last question, Mr. Chairman. As you reach the end of this particular section of the program, are you able to assess in dollars and cents

the value of the program in terms of what was anticipated and as far as the participants are concerned?

Mr. MacNeill: I think, Mr. Chairman, it would be possible to identify the benefits that have flowed from the program but I do not think it would be possible to measure them precisely in dollars and cents terms. I think the measurement will necessarily have to be largely qualitative.

The Chairman: Are there any more questions on Vote 10?

Shall Vote 10 carry?

Item agreed to.

The Chairman: Thank you, Mr. MacNeill.

Now, we come to Vote 110, the National Energy Board.

NATIONAL ENERGY BOARD

110 Administration, ... $1,133,000.

I will call on Mr. McKinnon, Chairman of the Board, who is with us today.

Mr. Saltsman indicated earlier that he would like to lead off with questions to the Chairman of the National Energy Board, so I will now call on Mr. Saltsman.

Mr. Saltsman: I would like to ask some questions on Canada's national oil policy and it has been very difficult to obtain information on exactly what this policy consists of and what its implications are. The reason I was asking whether Dr. Howland was here is that the most informative information I have received was in a speech given by Dr. Howland and kindly provided to me by his office. His paper was presented to the annual meeting of the Canadian Institute of Mining and Metalurgy in Quebec City on April 27. I would like to use the framework of Dr. Howland's speech for some of my questions.

Mr. Peters: That will convince him that he should not send it the next time.

Mr. Saltsman: I do not think so. I think Dr. Howland is very interested in providing all the information possible.

There has been considerable concern about a national oil policy particularly as it affects the consumer. There have been some questions raised whether the national oil policy has really benefited the consumers of Canada and apropos of that, I saw yesterday in the Toronto *Daily Star,* the heading "When Aussies strike oil, consumers cry a little bit". I am just wondering whether consumers in Canada are not crying a little bit because of our embarrassment of riches that have been unearthed here in our oil industry. Dr. Howland says that the national oil policy is somewhat more profound and complex than this, and he is referring to the statement made by the Minister in the House of Commons when the policy was introduced. He goes on to say that "a different alternative and quite different policy, one which would have called for a different pattern of development was set aside in favour of the present national oil policy".

My first question is this. What was this different pattern that was set aside? What were the alternatives to our present national oil policy? Perhaps the

chairman would like to say a few words about the national oil policy as he sees it, for those who have not read this.

Mr. IAN N. MCKINNON (*Chairman, National Energy Board*): The national oil policy itself was designed to increase the levels of production of indigenous crude. Certain targets were set and these were to be achieved by increasing the use of products derived from Canadian crude in the area of Canada west of the Ottawa valley, and to increase our exports to the United States.

Mr. SALTSMAN: Was this the major objective of the national oil policy? Were the interests of the consumers not taken into consideration in terms of how the increasing of crude in Canada might affect the price of gasoline in this country? I understand that in the process of increasing the crude, certain policies were devised that seem to have had the effect of insulating our Canadian market from world market price competition.

Mr. MCKINNON: That is true, to some extent. I think you have to go back some years probably to around 1957-1958, following the Suez crisis, when Canadian producers were called upon to provide additional amounts of crude oil, particularly in the west coast of the United States. In other words, there was more or less a defence requirement at that time, if you want to put it that way. The normal patterns of supply had been changed as a result of the Suez crisis and shortages developed all over the world. So that in 1956-57 we had to produce large amounts of crude in western Canada to meet this demand.

I might say, that going back even further than that, as the Alberta oil development progressed and as we had further production in Saskatchewan, certain decisions had to be made on what was the best way of marketing this crude in the general Canadian interest. I think that the basis of the policy at that time when the decisions were made was that western crude should supply Canadian markets as far as Ontario, and then markets on the west coast of the United States and then progressively supply markets along the international border. At that time it was not considered to be good economics to supply the Montreal and the maritime markets. They had been historically supplied from Venezuela and the Middle East; in other words, from offshore crude.

Following the Suez crisis there was a tremendous drop, both in the domestic demand and in the export demand. I think at one time we were exporting about 135,000 barrels a day to the west coast and this dropped to about 10,000 barrels a day around 1958-59. This caused some hardship as far as western Canada's producers were concerned. At that time, in looking for ways and means of expanding the market for Canadian crude, considerable pressure was being exerted to take Canadian crude into the Montreal market. In 1958, the government of the day created the Borden Commission and this is one of the matters that the Borden Commission looked into. They came up with a recommendation that as an alternative to the Montreal market, it would be better to try and expand the market for Canadian crude in Ontario and to expand export sales. This provided an alternative where the increase in production would be approximately equal to the increase that could be achieved by going to Montreal.

Mr. SALTSMAN: I can understand the reasons for trying to use as much crude in Canada as possible and I can understand the difficulties of shipping

crude to Montreal. But given that and having expressed my approval that we are trying to bring oil from the Canadian west, at least as far as the Ottawa valley, why is there not a freer access to oil at Montreal as far as world market oil is concerned; I mean a free price for oil. I understand it is not coming in at free world prices at Montreal. The offshore oil is not coming in at free market prices; there are restrictions on its movement to Montreal.

Mr. McKINNON: I do not know to what restrictions you are referring.

Mr. SALTSMAN: Dumping duties to bring it up to certain prices.

Mr. McKINNON: That is not on the crude oil. That is on the bulk imports, on gasoline. There is no restriction on the import of crude into the maritimes or the Quebec market, and no duty.

Mr. SALTSMAN: Is crude oil from Venezuela arriving at Montreal at the same price as oil is arriving in Europe?

● (11.28 a.m.)

McKINNON: I could not tell you that.

Mr. SALTSMAN: I have some information here that indicates that crude oil for Canada was arriving at $2.34 at a time when crude oil from Venezuela was going to Europe at $1.80.

Mr. McKINNON: There is quite a difference in quality, sir. You have to get the differences and the value of various crudes, In other words, the product realization from various types of crudes varies considerably. There is quite a price differential, depending on the quality of the crude.

Mr. SALTSMAN: I understand this is for similar crude. I was wondering if you could check on that for me? As I said, I do not know for certain. This is information that I have picked up—

Mr. McKINNON: Would you mind repeating those prices again?

Mr. SALTSMAN: This is 1965; Venezuela crude was coming in at $2.34 and was going to Europe at $1.80.

Mr. McKINNON: Could you give me the reference as to where that information was obtained?

Mr. SALTSMAN: No, I do not have the reference here. I am sorry, I cannot give you that.

When we are talking about an alternate and quite different policy, is this the policy to which you have just referred to bring oil to Montreal?

Mr. McKINNON: The national oil policy was an alternative to the constructing of a pipe line to Montreal.

Mr. SALTSMAN: There is a pipe line of some sort between Toronto and Montreal now, is there not?

Mr. McKINNON: There is a product line, I believe, that goes from Montreal to Toronto to Hamilton and Sarnia.

Mr. SALTSMAN: I see. Is that in use now?

Mr. McKINNON: Yes; but it is being used both ways. It is divided now around Brockville. Products flow west from Montreal into the area east of the Ottawa valley and products flow east from the Sarnia-Toronto refineries to the area west of the Ottawa valley.

Mr. SALTSMAN: There is an article in the Toronto *Globe and Mail* of April 26. The president of the Home Oil Company urges a federal study of a national oil policy and I presume they are talking about the pipe line to Montreal. Is this under study at the present time?

Mr. McKINNON: We are always doing surveys for markets for our oil, both in the domestic scene and on the export market. I might say that at the present time, in the market west of the Ottawa valley, products from canadian crude are more or less saturated there and you depend now for any increase on the normal growth in those markets. The other avenue, of course, is to expand our export sales to the United States.

Mr. SALTSMAN: In this same article, Mr. R. A. Brown, President of Home Oil, says: "Canada still imports 20,000 barrels per day more crude oil and products than it exports". Is any attempt being made to cut down on this balance of payments problem?

Mr. McKINNON: Yes, sir; I think I can give you some information on that.

The balance of trade, if I could put it that way, so far as oil alone is concerned, we had an adverse balance in 1960 of $293.8 million and this was down in 1965 to $171.5 million. If we include natural gas in this figure the balance of trade as far as petroleum and natural gas are concerned, the deficit was reduced from $272.5 million in 1960 to $73.9 million in 1965.

Mr. SALTSMAN: Does this include manufactured products as well?

Mr. McKINNON: This includes both crude oil and products.

Mr. SALTSMAN: Do you have any figures on interest repayments, dividend repayments on American investments in the oil industry in Canada?

Mr. McKINNON: No, Mr. Chairman, I do not have those figures.

Mr. SALTSMAN: Because this would also affect our balance of payments situation, or the total from the industry. I am looking at it from an industry point of view, taking into consideration the repayment of interest and dividends, plus the adverse—

Mr. McKINNON: There have been movements of capital as well from the U.S. and other countries into Canada.

Mr. SALTSMAN: Some of the questions that have been raised refer to this matter of capital movement in which it is indicated that too much capital for our needs has moved in. In other words, the oil industry has been over capitalized, because too much capital has come in and too many facilities have been built in the extraction of the oil itself, which has resulted in increasing the amount of interest and dividend payments returned to the United States. This again is adversely affecting our balance of payments which is indicated by the fact that the wells in the western provinces have to be on a quota system, for instance, they cannot pump to the full extent of their capacity. Arrangements are made whereby they are all limited in their output.

Mr. McKinnon: I think you are covering quite a broad field. I would like to make one or two comments.

First of all, I think that over the last few years the efficiency of the industry in the producing sector has increased enormously, and this was one of the things that was stressed when the national oil policy was announced, that while providing additional markets, the industry itself also had to become more efficient and the appeal was made both to the industry and to the provincial governments to see that this was done. I might say that the results have been very favourable. The spacing in Alberta, for instance, has been increased, and I know a little about this because, back in 1948, it was 40 acre spacing that was in vogue at the time. That spacing for wells has been progressively raised to 160 acres, and I might say that many fields are developed on much larger spacing units than that.

Further, in regard to this excess productibility, if I can put it that way, and the proration, more emphasis has been given now to the reserves than was given formerly in the setting of production allowables. Also, the Alberta government has brought in a scheme now where you can drill by drainage units and receive the same allowable as if you drilled all the spacing units in a drainage unit. One example I was given as to the saving in production costs was the case of a company in the Mitsue-Hondo field which even on 160 acre spacing would have drilled 21 wells; as a result of the new regulations they had to drill only six and could produce the same amount of oil.

Mr. Saltsman: I have some other questions. I think I would like to pass now and ask them later on.

Mr. McCutcheon: I have a supplementary question. I did not quite catch the answer to Mr. Saltsman's question regarding restrictions of imports at Montreal. Am I correct that there are no restrictions on the importation of raw crude, but are there restrictions on manufactured products?

Mr. McKinnon: There is a duty on the import of products. I think it is 1 cent on gasoline; it is ½ or ¾ cents on distillate and a lower amount on heavy fuel oil; I think it gets down to ½ cent or ¼ cent. I could get those exact figures for you.

Mr. McCutcheon: I would appreciate it. I have one further supplementary question. You spoke of the enlargement of the area from 50 acres to 160 acres. This has to do with the development of a field. Is there not a possibility of hardship to some landowners with this new policy? I am thinking now of a province like Ontario where the landowner owns the mineral rights. Is it not quite possible that a fellow who has a 40 acre farm could have his oil all gone and never reap any benefit from it whatsoever?

Mr. McKinnon: I do not think so. Before you would give permission to drill on 160 acre spacing unit, which might be made up of several parcels, owned by different people, normally, and I am speaking now of the case in Alberta—I am not sure of the regulations in Ontario—you would require to get a unitization of those tracts before licenses would be issued to drill. The production from the well, as far as the royalties that went to the owners are concerned, would be prorated according to the amount of reserves below each parcel of land. There should be no hardship on the landowner if he is getting a royalty on production.

Mr. ANDRAS: Mr. Chairman, I would like to address some questions to Mr. McKinnon about the application of Trans-Canada Pipe Line for this second route through the northern United States. Mr. McKinnon knows I am quite interested in it both parochially and I can say sincerely from a national point of view and I appeared before the National Energy Board this spring.

Now, in so far as the Canadian jurisdiction is concerned, is the full authority for this location decision vested in the National Energy Board?

Mr. MCKINNON: The National Energy Board has to give approval for the construction of facilities in Canada that are associated with this Great Lakes project and also has to issue the licenses with the approval of the government for the export and import of gas.

Mr. ANDRAS: Since this is considering a route through the United States, then it is the export-import regulations that you would be administering as a board?

Mr. MCKINNON: Yes.

Mr. ANDRAS: That is part of the authority needed to do this.

Mr. MCKINNON: The issuance of licenses for export and import comes under the jurisdiction of the board through the National Energy Board Act. Those licenses can only be issued with the approval of the government.

Mr. ANDRAS: This whole Great Lakes project is also subject to a great amount of influence from the United States and I am thinking in particular at this stage of the Federal Power Commission.

Mr. MCKINNON: The Federal Power Commission would have to approve the construction of the facilities in the United States and the import and export of gas.

Mr. ANDRAS: Your hearings were completed in March or April, were they not?

Mr. MCKINNON: Yes.

Mr. ANDRAS: Can you give us an indication of where it stands in so far as the F.P.C. hearings are concerned?

Mr. MCKINNON: It is still before the F.P.C.

Mr. ANDRAS: What opposition to the Great Lakes program has appeared in so far as the F.P.C. hearings are concerned?

Mr. MCKINNON: At the last count I think there were around 59 or 60 interveners. I do not know whether they were all against the proposal or not. I have not paid to much attention to it as far as the hearings before the F.P.C. are concerned. There has been some opposition by the Northern Natural Gas Company and several other people but, as I said, I have not followed the proceedings in the United States in any detail.

Mr. ANDRAS: I spent some time getting some background from the original pipe line debate and I wanted to know whether the board—and I am quite sure you are but I just wanted confirmation of it—is aware of the policy at that time of the Canadian government and including all parties, the opposition members

as well as members of the government, that this market should be served by a pipe line that would be built entirely on Canadian soil. In fact, according to my research, the only dissenting voice was one member who advocated an export-import plan and this, of course, is on record. Is it fair to ask if the board has examined all the arguments that went into that pipe line debate culminating in 1956?

Mr. McKinnon: The board must consider any application, under the provisions of thee National Energy Board Act.

Mr. Andras: Could you just elaborate on that just a bit, Mr. McKinnon. Does that imply a certain limitation of your consideration of this proposal?

Mr. McKinnon: There are certain criteria laid down in part III of the National Energy Board Act with regard to the matters which the board should consider. Possibly I might read this section to you. It is section 44 of the act.

> The Board may, subject to the approval of the Governor in Council, issue a certificate in respect of a pipe line or an international power line, if the Board is satisfied that the line is and will be required by the present and future public convenience and necessity, and, in considering an application for a certificate the Board shall take into account all such matters as to it appear to be relevant, and without limiting the generality of the foregoing, the Board may have regard to the following:
>
> (*a*) the availability of oil or gas to the pipe line, or power to the international power line, as the case may be;
>
> (*b*) the existence of markets, actual or potential;
>
> (*c*) the economic feasibility of the pipe line or international power line;
>
> (*d*) the financial responsibility and financial structure of the applicant, the methods of financing the line and the extent to which Canadians will have an opportunity of participating in the financing, engineering and construction of the line; and
>
> (*e*) any public interest that in the Board's opinion may be affected by the granting or the refusing of the application.

Now this is dealing with certificates of public convenience and necessity. There are a different set of criteria as far as the issue of licences for the export of gas is concerned

Mr. Andras: A different set of criteria; are they generally the same. That first group that you read are in pretty broad terms in other words, it does establish your authority to deal with it in terms of not just the narrow capital expenditure or the exact price of the end product. It does commit you, as I understand your reading of it, to deal in terms of long term national interest as well as the delivered price of natural gas.

Mr. McKinnon: I would like to quote you the section dealing with gas exports. It says:

> Upon application for a licence, the Board shall have regard to all considerations that appear to it to be relevant, and without limiting the generality of the foregoing the Board shall satisfy itself that

(a) the quantity of gas or power to be exported does not exceed the surplus remaining after due allowance has been made for the reasonably foreseeably requirements for use in Canada having regard to the trends and the discovery of gas in Canada and the price to be charged by an applicant for gas or power exported by him is just and reasonable in relation to the public interest.

Mr. ANDRAS: How far forward would your forecast be under that last section, having regard for future requirements?

Mr. MCKINNON: Up to now, and I am not prepared to discuss the present application,—

Mr. ANDRAS: I realize I am in a delicate area there.

Mr. MCKINNON: Up to now the board has taken Canadian requirements and estimated them for 30 years.

Mr. ANDRAS: Well, dealing with this question of the delicacy of this subject, you say you are not prepared to discuss it because of the fact that the application is before you and the decision has not been rendered; is this basically the reason?

Mr. MCKINNON: It was suggested to me by the Chairman that I should prepare a statement. I am prepared to make a statement.

The CHAIRMAN: Yes, at the last meeting, Mr. Andras, I do not know if you were here at the conclusion but Mr. Peters made reference to this matter so I passed this information, at Mr. Peters' request along to the chairman of the board that Mr. Peters wished some statement on this matter. Perhaps, at this point...

Mr. ANDRAS: This might save time and questioning if the statement is available.

Mr. MCKINNON: Mr. Chairman and gentlemen, as you are aware,

Trans-Canada Pipe Lines Limited operates a large-diameter pipe line extending eastward from the Alberta-Saskatchewan border to service cities and communities within the Provinces of Saskatchewan, Manitoba, Ontario and Quebec, with connections on the international boundary between Canada and the United States near Emerson, Manitoba, Niagara Falls, Ontario and Philipsburg, Quebec.

Trans-Canada now proposes that a new pipe line should be constructed by the Great Lakes Gas Transmission Company through the United States passing south of Lake Superior and Lake Huron. The new line would connect with Trans-Canada's existing system at Emerson, Manitoba and with an extension of its system at the St. Clair River near Sarnia, Ontario. A spur line would enable gas to be supplied to Sault Ste. Marie, Ontario. This is known as the "Great Lakes Project".

Trans-Canada claims that the Great Lakes Project would make it possible to deliver gas to its Ontario and Quebec markets at a lower price than would otherwise be possible if it looped its line through northern Ontario. The company also claims that the project would enable the export market for Canadian gas to be expanded.

To implement the Great Lakes Project, Trans-Canada applied to our board for a certificate of public convenience and necessity to construct certain pipe line facilities in Canada and for licences authorizing the exportation from and the importation into Canada of specific quantities of gas. At the same time, Great Lakes Transmission Company made application to the Federal Power Commission for the necessary authorizations to construct the necessary pipe line facilities in the United States and to import and export gas.

In so far as our board is concerned, we held extensive public hearings on Trans-Canada's applications in March of this year. The hearing was widely publicized through notices in newspapers and in the *Canada Gazette*. Copies of the application were served on the Attorneys-General of the provinces affected. We, of course, heard representations not only from Trans-Canada but from a large number of interested persons, including a number from northern Ontario. At the present time, these applications are under active consideration by the board. This puts me in rather a delicate position because while I want to be as helpful and informative as I can in response to your request, I cannot, of course, discuss the merits of Trans-Canada's applications concerning the Great Lakes Project as the board has not yet handed down its decisions.

It is the board's practice to give written reasons for its decisions on all applications for certificates and licences. If the decision is to grant the application, it is referred to the Governor in Council, whose approval is necessary for the issuance of a certificate or licence, as the case may be, by the board. If the application is dismissed, that is the end as far as the board is concerned. You may be interested to know that an appeal from a decision of the board may with leave be taken to the Supreme Court of Canada upon a question either of law or jurisdiction.

The CHAIRMAN: Are there any further questions, Mr. Andras?

Mr. ANDRAS: Yes; I am going to try them, Mr. Chairman. I have full appreciation for the gavel that is closed to you.

Can there be any indication from you, Mr. McKinnon, when this board decision may be rendered? Would it be this year?

Mr. MCKINNON: I would hope it would be this year but I am not prepared to go any further than that.

Mr. ANDRAS: All right. During my appearance before the board I was hopeful that my request might be registered that there be an independent capital cost difference between the two, that is the U.S. route and from our point of view, the desired northern Ontario looping and that these be published and a chance given for rebuttal before the final decision would be made. Is there any likelihood that that will be done or, as far as you are concerned, is the hearing finished now and the next step will be your decision?

Mr. MCKINNON: The hearing is finished; the evidence which we received is being analysed and we are actively proceeding to try and reach a decision.

Mr. ANDRAS: There is an air of finality to that, Mr. Chairman. I think that for the moment I shall retire from the field.

The CHAIRMAN: Are there any questions, Mr. Peters?

Mr. PETERS: Mr. Chairman, could I ask why is this such a big problem? Is it not a fact that the hearings before the board in the states and the hearing before the board here have all indicated that the matter concerns the export of gas rather than what action is taken on how it is transmitted into the eastern markets of Canada?

Mr. MCKINNON: I do not quite follow your question.

Mr. PETERS: Well, let me put it in another way, then.

Is it not your understanding that the National Energy Board was established for the benefit of Canada rather than for any other purpose?

Mr. MCKINNON: I am sure it was established to look after the Canadian interests.

Mr. PETERS: Then, the question is whether or not it is in the Canadian interest to allow the export of additional gas at Emerson.

Mr. MCKINNON: That is part of this project, yes.

Mr. PETERS: Then, the decision on that part of it should be very simple. It is advisable to supply this—

Mr. MCKINNON: Mr. Peters, have you ever read any of the board's decisions.

Mr. PETERS: No, but I think I am going to read some of them and I do not think I am going to agree with them. They have not done what is a fairly simple thing. We, in northern Ontario, are interested in this. Mr. Andras is a Liberal, Mr. Spooner, the Minister of Municipal Affairs, from Northern Ontario is Conservative and I am N.D.P., and we are all of the opinion that the Canadian interests are going to be best served by having Trans-Canada developed in Canada. This was the decision and an election was fought over it with some disastrous results and if the board did not get the picture, then they had better get it now because as far as I am concerned we will not pass this estimate and there will be no board. I think it is that simple. I am not interested really in all the monkey-business that the board has gone through in this application because it is a fairly simple thing.

It is quite true that Trans-Canada is making an argument that if gas is brought in through Great Lakes which is half owned by Trans-Canada and the other half by American Natural Gas on a 50-50 basis, establishing what they call Great Lakes Transmission Company, as far as Canadians are concerned it will be cheaper to put it into a storage area, at Sarnia than if they bring it through a twinned section of Trans-Canada. This would mean that the gas would be cheaper in Toronto if it is brought in through Great Lakes than it would in Toronto if it is brought through the twinned section of the Trans-Canada. It involves also a fairly large export of power through the Great Lakes because they will be serving an area in northern Michigan and several other States in the United States and this is where the American interests are and from where the American objection is coming.

● (11.59 a.m.)

But I really do not see why the board should be interested in this matter at all. It is whether or not that gas should be kept in Canada for use by Canadian markets rather than for export markets. Maybe the board was not set up for this reason, but it is my impression that it was set up to get the greatest advantage for Canadians out of the resources that we have.

Let us go back a little bit. It is my opinion that this board has functioned very poorly in relation to the condensates from the western markets. You will remember the pipe line that was built a year or so ago and we allowed condensates to be moved across the American border for two good reasons: One, we did not have the facilities or the wherewithal to establish the facilities to handle the condensates in western Canada; and second, there was difficulty in holding condensates for a market. But is it not a fact that if these condensates had been used in Canada, it would have meant a completely new and very large secondary industry in western Canada. If the price of that by-product had gone down as it obviously would, with a surplus product, secondary industries would have been established, because condensates are the basis of most factories. The board in this case, as I remember it, did not do anything in the Canadian interest and were very willing to give that export permit for condensates to build hundreds of new plants in the Chicago area.

I really do not think this board has functioned at all as the members of Parliament want it to function. I do not think it has functioned at all as the Canadian public wants it to function.

Mr. McKINNON: Mr. Peters, I think you have some of your facts wrong.

Mr. PETERS: I do not have the facts wrong. The facts are as I stated them. We exported those condensates from the oil industry in western Canada to the United States rather than holding them in Canada and building a secondary industry in Canada. It is not the board's business to build the industry but the end result of holding the condensates would have brought the price down to a level where even American interests would have come into Canada and established a secondary industry, if the product was cheap enough.

Mr. McKINNON: Mr. Peters, I think that you are confusing condensates with L.P.G.'s. Could you tell me what you mean by condensates?

Mr. PETERS: Well, the condensates are the heavy end of the oil that goes into making dyes, aspirin and pharmaceutical by-products and numerous items.

Mr. McKINNON: Condensates, Mr. Peters, are considered oil by definition. I think you are referring to the L.P.G.'s, and the matter of feed stock for petro-chemical industry. Is this not what you are referring?

Mr. PETERS: Yes.

Mr. McKINNON: Mr. Peters, I have some experience with this over 18 years when I was first made chairman of the Alberta Conservation Board. One of our big problems at that time was to conserve gas that was produced unavoidably with oil. This gas that is produced unavoidably with oil, this wet gas, contains methane, ethane, propane, butane and pentane products. The big problem that we had was to require the companies to collect this gas and process it to get the

by-products and to make merchantable pipe line gas. The economics of this at one stage, at least in the early stages, was very poor particularly in the sale of the by-products, butane, in particular; there was a market for propane. But as production of wet gas, produced unavoidably with oil, increased and as we developed some wet gas fields, the problem of marketing propane and butane became very acute and we would not allow the companies to waste this. They had to, in the course of processing, return it to the formation in many cases.

My colleagues and I, on the Alberta board at that time, I think, interviewed every petro-chemical company in Canada and in the United States to try and entice them to come to Alberta to set up petro-chemical plants there. We were successful in two cases. The Canadian Industries plant in Edmonton to manufacture polyethylene and the Chemcell plant in Edmonton which used butane. Both these plants, as I understand it, have not been too successful financially. The board is just as concerned as you are, Mr. Peters, on this matter of using our resources and manufacturing whatever we can in Canada.

The market for propane and butane has firmed up in the last few years, principally because, not being able to sell in large quantities or on long term contracts to the petro-chemical industry, they have developed markets mostly for heating purposes both in Canada and in the United States.

I have discussed this time and again with petro-chemical companies. The big problem today in the petro-chemical industry is scale and while you have to take various things into consideration, the big thing today is to get as large a plant as possible and build as close to the market as you can. The reason that the two plants I referred to in Alberta were not very financially successful is that of successive increase in freight rates, for instance. Alberta and Saskatchewan are landlocked and this has been the problem as far as developing a petro-chemical industry is concerned, particularly as far as bulk chemicals are concerned. The two companies that I referred to, again in Alberta, were manufacturing chemicals which might be said to be sold by the pound while they were capital intensive plants that were put up. But I can assure you, Mr. Peters, that I have spent many long hours and days trying to get the petro-chemical industries created in Alberta, before I came here and we have been making continuous surveys as far as the petro-chemical industry is concerned.

Mr. SALTSMAN: I have a supplementary question, Mr. Chairman, if I might. Is there a shortage of feed stock in Canada for the petro-chemical industry?

Mr. MCKINNON: I do not think so, although there has been quite an evolution as far as the industry is concerned and I believe that naphtha now is one of the main sources of feed stock.

Mr. SALTSMAN: I understand that there are plants in Canada having difficulty in obtaining sufficient feed stock and considerable imports of naphtha are coming in. Now, this naphtha coming in is subject to a tariff, is it not?

Mr. MCKINNON: It is probably subject to a small tariff. I could not tell you exactly what it is but we could try and find out. One thing, Mr. Chairman, it is very difficult to define naptha. There are various specifications for it and for this reason I am just not sure what the tariff is but we can try and find that for you. It would not be more than one cent a gallon.

Mr. McCutcheon: It seems from our discussion around here this morning that a lot depends on whose ox is being gored. I am from the deep south and the President of Union Gas Company recently said that they have reserves apparently sufficient for normal development but they will not be able to keep up with the magnitude of the industrial development in southern Ontario. Can you comment on that?

Mr. McKinnon: As far as I am aware, Mr. Chairman, gas should be available in all the desired quantities in Ontario. That is, in the estimates that we have received from Trans-Canada in various applications we have had from them to increase their facilities, we always presumed that they were able to supply all the gas that was needed.

Mr. McCutcheon: Are they still receiving gas from Texas Panhandle?

Mr. McKinnon: Union Gas, I believe, have an import licence to import gas from Texas Panhandle and I believe this was to enable them to fill up their storage.

Mr. McCutcheon: As I understand it, it is a temporary sort of thing. During the off season or the off load period they replenish storage with Texas Panhandle gas?

Mr. McKinnon: Yes.

Mr. McCutcheon: I have one further question. I may be ruled out of order on it but I think one of the big considerations is for you fellows on the board to decide how, we the consumers in the east, are going to get the cheapest gas.

Mr. McKinnon: I am not prepared to comment on that.

The Chairman: Actually Mr. Bower had indicated to me that he had some questions. I went ahead to Mr. Peters. I apologize to Mr. Bower but Mr. Peters had brought this matter up originally. Mr. Bower, do you now want to ask some questions?

Mr. Bower: Yes, Mr. Chairman, I have a few questions that I might ask of the chairman of the Energy Board that might help in enlightening people who put forth some questions here.

I think that one question I would like to ask the chairman is, does he not agree that the big development of Canadian hydro carbon production, say from 1947 on, has been a tremendous factor in our balance of payments, if we were where we were in 1947, would we not be nearly $500 million a year short in our American dollar balance of payments situation?

Mr. McKinnon: I think it has made a great difference.

Mr. Bower: The other point I wanted to make is, would the chairman not agree that oil fields are not produced at their full rate? Practically no oil field, except in its declining days is produced at its full rate. You produce an oil field at what is known as M.E.R.—maximum efficient rate.

Mr. McKinnon: That is quite correct. There are two methods of determining allowable in Canada and I know more particularly about Alberta. In the first place, we set, what you might call, M.E.R.'s, which were based on engineering

and economic principles and then superimposed on top of that was a proration formula when the production exceeded the market demand.

Mr. BOWER: That was to avoid physical and economic waste?

Mr. MCKINNON: Right.

Mr. BOWER: With respect to a question brought up by my colleague, Mr. McCutcheon, would not the chairman say that the process of unitization which you described in connection with the spacing of wells, that is 40 acres and 160, and the situation where a private owner who owned the subsoil might only have 20 acres, is a standard practice and is also designed to avoid physical and economic waste?

Mr. MCKINNON: Yes, by not having to drill as many wells.

Mr. Bower: Another leading question—

Mr. PETERS: Is this done by the National Energy Board? Is this not policy in the provinces?

Mr. MCKINNON: The resources, as you know, sir, are under provincial jurisdiction.

Mr. PETERS: Then, you cannot take credit for this?

Mr. MCKINNON: No, but we did impress upon them, when the national oil policy was announced, that they should take steps to improve the efficiency of the industry and they have collaborated. We have had wonderful co-operation from the provinces and the industry.

Mr. BOWER: I think that those were the main points I thought it might be useful to have brought out. I would also ask the chairman if the National Energy Board would not, in making decisions that are within its purview, take into consideration factors such as unitization, M.E.R. and see that the national interest, conservation of our energy resources are well in hand.

Mr. MCKINNON: We try to take into consideration, all interests, including the interests of the consumer.

Mr. BOWER: One last question in connection with Mr. Peters' question in which he asked about condensates; you cannot produce the oil without producing the condensates and consequently you cannot just hold that material somewhere for use, it has to be disposed of unless you hold back the oil and then we would not have the oil that we have now to balance our payments by exporting to the United States and importing from Venezuela.

Mr. MCKINNON: That is true to a great extent. A condensate is normally produced from wet gas fields through the ordinary separation process and then you pass on the wet gas for further processing. In other words, a condensate is really a very high gravity oil, between a fluid and a gas.

Mr. BOWER: I have one further question that I think might be of interest to the Committee. The balancing of our exports and imports—to all practical intents and purposes we have arrived at that point; there is a small difference—is of a tremendous help to Venezuela without any great cost to us. In the general spirit of helping emerging nations and the less developed nations, does this not

play an extremely important role as far as that country or any country down there is concerned that ships crude oil up to Canada's east coast?

Mr. McKINNON: That was one of the points that was made when the national oil policy was announced; that this would result in the least disruption of the normal trade pattern and that the eastern markets which had received oil from offshore would still receive it when they are so far away from the normal source of production.

Mr. BOWER: That is all, Mr. Chairman, and I hope it has been of some help.

● (12.16 p.m.)

(*Translation*)

Mr. GOYER: Could you tell us what the Canadian consumption of oil is?

(*English*)

Mr. McKINNON: Yes. The latest supply-demand balance figures that I have are for 1964. I would be glad to provide the figures for 1965. In 1964, the total domestic demand was 1,056,000 barrels a day.

(*Translation*)

Mr. GOYER: What is approximately in percentage, the consumption of the Montreal market?

(*English*)

Mr. McKINNON: The refining capacity in Montreal in 1965 was approximately 330,000 barrels a day. The domestic demand in Quebec and I am again quoting 1964 figures, was 303,000 barrels a day.

(*Translation*)

Mr. GOYER: To what extent is the Montreal market touched by Canadian products?

(*English*)

Mr. McKINNON: The products in the Montreal market are all derived from off-shore crude processed by Montreal refineries, supplemented by imports of products.

(*Translation*)

Mr. GOYER: What is the Canadian oil production?

(*English*)

Mr. McKINNON: In 1965 it was 923,000 barrels a day.

(*Translation*)

Mr. GOYER: On that amount, how much is used in Canada?

(*English*)

Mr. McKINNON: Of the 923,000 barrels a day that were produced in 1965, 318,600 barrels a day were exported to the United States, so by subtraction, you would have about 605,000 barrels a day used in Canada of Canadian production.

Translation)

Mr. GOYER: Could you give us an approximate percentage of what the ctual Canadian production is at the moment? What could be the maximum anadian production in Canada? I would like to know if the industry is working t 100 per cent of capacity?

English)

Mr. MCKINNON: I would say, approximately 1.5 million barrels a day.

Translation)

Mr. GOYER: What is the cost of oil produced in the West?

English)

Mr. MCKINNON: The price varies according to the quality of the crude.

Translation)

Mr. GOYER: Do you have an approximate cost?

English)

Mr. MCKINNON: One of the standard crudes is Redwater and I think the ellhead price is $2.63 a barrel.

Translation)

Mr. GOYER: What could be the cost as delivered in Montreal?

English)

Mr. MCKINNON: Do you mean our Canadian crude? That is a very difficult uestion to answer because it would mean the construction of additional pipe ne facilities.

Translation)

Mr. GOYER: Do you have any projections about this? Do you have any pproximate figures, if any plans should be put into practice?

English)

Mr. MCKINNON: The Borden Commission, when it studied the cost of ioving western crude to Montreal, I believe, estimated that if the line was ublicly owned it would cost around 50 cents; if it was privately owned it ould probably be 60 cents to 70 cents. But those estimates, of course, were ased on the costs of about nine to ten years ago.

Translation)

Mr. GOYER: You mentioned the fact that there was no restrictions at resent for the transportation to Montreal of oil. Have you noticed any blocks in ie market?

English)

Mr. MCKINNON: There are no restrictions on the import of crude oil into the Iontreal market, No.

(*Translation*)

Mr. GOYER: Are these influences of any kind or world situations which might influence the Montreal market?

Mr. MCKINNON: No.

Mr. GOYER: Does your organization keep in touch with the movement of world oil prices?

(*English*)

Mr. MCKINNON: We are aware that there are wide fluctuations in the prices of oil.

(*Translation*)

Mr. GOYER: Generally speaking, is the price paid in Montreal, competitive for oil produced in Canada?

(*English*)

Mr. MCKINNON: I am sorry, I do not know what you mean by that.

(*Translation*)

Mr. GOYER: We asked you a question earlier about oil coming from Venezuala which was delivered in Montreal. A comparison was drawn with oil going from Venezuala to Europe and a price was quoted which was lower for Europe. Can you say that generally speaking, the price as paid in Montreal could it be competitive with the price at which oil is produced in Canada?

(*English*)

Mr. MCKINNON: The price paid for oil in Montreal would be lower than the present cost of Canadian crude at the wellhead plus the estimated transportation costs that I gave a few minutes ago.

(*Translation*)

Mr. GOYER: Do you have an approximate figure of the price decrease?

(*English*)

Mr. MCKINNON: There are various prices for different qualities of oil and the Montreal refiners buy, I presume, at world prices.

(*Translation*)

Mr. GOYER: I understand this, but you said there would be a decrease in price. I am sure you have figures at hand which will indicate what kind of price decrease, could you establish an average?

(*English*)

Mr. SALTSMAN: Mr. Chairman, on a point of order regarding the statement made by Mr. McKinnon, information has come to me, and I will quote the name of the person involved, which indicates that oil reaching Montreal does not come in at world prices. I would like to put this on the record. I do not know how true this statement is but I presume this gentleman, whose name I will

give you, is prepared to back up his statement or at least he should be called to back up his statement, if the Committee wishes to do so. This letter comes from Klaus Oehr, who is an importer of oil, 590 Clarendon Cresent, Beaconsfield, Quebec, Canada. He also indicates that the crude oil cost in Canada is not $2.63 a barrel, it is $1.28 per barrel, everything included.

Now, Mr. McKinnon, I do not know whether this information is true or not but I think that once these statements have been made, the Committee should know whether they are true or not. Might I suggest to the Committee, through you, Mr. Chairman, that we ask Mr. Oehr if he would appear as a witness before this Committee.

The CHAIRMAN: We can take this up with the steering committee at our next meeting, Mr. Saltsman.

(*Translation*)

Mr. GOYER: Not taking into account the prices you suggested, but keeping the same scale of values—because I would like to have the same percentage—could you answer the following question? You have said that the price would decrease if we had a market between western Canada and eastern Canada. Do you have an approximate idea of the decrease in dollars?

(*English*)

Mr. MCKINNON: Do you mean to make western Canadian crude competitive in Montreal?

The CHAIRMAN: Excuse me, I think Mr. McKinnon was asking a question to clarify what you would ask him. Would it be helpful at this point if the Chairman said to the chairman of the National Energy Board what he felt the question meant. We are trying to establish the difference in bringing oil from the west to Montreal and bringing it from Venezuela. This is the purport of your question is it not?

(*Translation*)

Mr. GOYER: Not particularly from Venezuela but from countries which export to Montreal? I am sure there is a lot of competition in Montreal.

(*English*)

The CHAIRMAN: And the chairman I think has said that it is cheaper to bring oil in from outside to Montreal and I think that the questions are trying to establish what the actual difference is and, secondly, what it would cost in terms of pipe lines to go to Montreal and bring in western oil. What would the difference be at that point? Is this what the question was?

Mr. MCKINNON: Using the standard price for Redwater crude of $2.63 and using the estimates prepared by the Borden Commission of 50 to 60 cents cost of moving the oil to Montreal, that would give our laid down price for Canadian crude of about $3.13 to $3.23. Now, if this price of $2.34 is correct, there would be a difference there of around 90 cents, would there not? I do not know about his price of $1.80—$1.28. I am sorry.

Mr. SALTSMAN: It is the cost of getting crude oil at the wellhead.

Mr. McKinnon: I am sorry, I was referring to the $1.80 for the other price that you claimed that Venezuelian crude was being brought in at.

Mr. Saltsman: Well those figures can be verified as well by reference to world market price shipments.

Mr. McKinnon: This claim is that western Canadian oil could be produced for $1.28, is that it?

Mr. Saltsman: Yes, and the implication is that the price at Montreal is geared to the price which the oil companies feel it has to be in order to prevent competition in oil in Canada. That oil can be obtained cheaper from other countries than Venezuela? It is not brought in from other countries? There is also an implication that by putting the dumping duty on the finished product, you are preventing, or someone is preventing effective competition in Canada, from world prices and from world markets; that the Canadian market is insulated from world competition.

These are serious things, Mr. McKinnon. I am sure you understand this. I do not pretend to be an expert on the industry; as I said my interest arises from the fact that I have received letters from individuals; I have looked at newspapers and seen statements of various people in the oil industry, some of which raise some very serious questions that I think need to be answered. I think that this Committee should call those witnesses that are required, that are experts in this field, that have been making these various charges about the national oil policy in order that this Committee shall know the degree of success the national oil policy is meeting with in terms of the national interest.

The Chairman: As I said, this is a matter which we certainly will take up at the next steering committee meeting. We were sort of interrupted from the questions of Mr. Goyer.

(*Translation*)

Mr. Goyer: A last question, I would like to know the percentage of oil industry which is owned by Canadian capital?

(*English*)

Mr. McKinnon: This is a very difficult question to answer.

The Chairman: Is this something within the ambit of the responsibility of the National Energy Board? Would you know if it had knowledge of the Canadian ownership content of oil companies?

Mr. McKinnon: Well, we watch the ownership of what they call the independents and the majors and we think that the independent producers owned probably 15 per cent to 20 per cent of production and the major companies the balance. Now, there is some Canadian investment in major companies and this makes it difficult to break it down to an actual percentage, to say what actual the percentage of the United States interest is.

(*Translation*)

Mr. Goyer: All right, let us not talk about capital, let us talk about the control in companies.

(*English*)

Mr. McKinnon: Well, the major companies, as I say, control most of the production. The interest of Canadians in some of those companies, I say, is hard to estimate. I think by and large that the Canadian companies who are the subsidiaries or who are associated with foreign companies act mostly as good Canadian citizens. As I say, we have had good co-operation from those companies.

(*Translation*)

Mr. Goyer: I am not asking you to say how they operate, I do not intend to say they have bad feelings about the Canadian market, but I would like to know what percentage we own or control in this market and that production which is a very important production in Canada?

(*English*)

Mr. McKinnon: Well, as far as the control of production is concerned, it rests with the provinces at the present time. They are the ones that set the rates at which oil may be produced.

(*Translation*)

Mr. Goyer: I would like you to give me just a simple answer, tell me you do not have the figures or give me a percentage?

(*English*)

The Chairman: I think again Mr. Goyer is asking, Mr. McKinnon, about those companies producing oil in Canada that are controlled by foreign interest.

(*Translation*)

Mr. Goyer: I think the question has been pretty well understood. If it is impossible to give me the answer or if the witness does not have the figures, or if he prefers not to give the figures, I will accept it perhaps, but I would like to have an answer, and a short one.

(*English*)

Mr. McKinnon: I think I said previously that the independent control is from 15 per cent to 20 per cent of the production and the balance is controlled by the major companies. Now, they in turn, you might say are controlled by their parent company. I would like to check those figures. I believe there are some figures put out by the Dominion Bureau of Statistics with regard to the actual ownership. I do not have them with me here.

Mr. Saltsman: Mr. Chairman, just a short supplementary question; while Mr. McKinnon is checking, would he also check to see the degree to which the independents have foreign ownership? Is the figure between 15 per cent and 20 per cent?

Mr. McKinnon: I do not know whether this information is available, but we will try and see what we can do.

The CHAIRMAN: Now, I had Mr. McCutcheon. You had indicated to me earlier on the first round of questions that you wanted to ask a question. Was that taken care of in your supplementary? Then there were two other members who indicated questions on the second round. I think Mr. Saltsman and Mr. Andras indicated that they had some further questions to ask, and Mr. Peters. It is now 20 minutes of one; is it your wish that we continue in an effort to finish this, this morning? You feel that we need another session? All right, in that case—

Mr. DAVIS: I have a question on the first round.

The CHAIRMAN: On the first round, all right. That is the procedure that the Chair has tried to adopt. Those people who have asked questions should wait until all other members have had an opportunity to ask their first round before continuing the second round.

Mr. DAVIS: Mr. McKinnon has said that among the considerations bearing on exports, and so on, was the interest of the consumer but he listed other interests. Focusing quite specifically on the interests of the consumer, is the consumer in your opinion, Mr. Chairman, paying a fairly competitive price in the Atlantic provinces and in Quebec, areas that are served from outside of Canada?

Mr. MCKINNON: As far as I know, yes. Now, small amounts of imports can be brought into Canada at lower prices, but the question is whether you can get those imports in large volume. We know that some of the imports that have come into Canada have been bought on the fringe markets in Europe at considerably below the wholesale price that is charged in those countries for the bulk of the sales.

Mr. DAVIS: Now, in the rest of Canada, that is, west of Montreal and through to British Columbia, the supply of oil is predominantly from Canadian sources. In your opinion could imported oil be brought in at lower prices? In other words, could the consumer be served at a lower price?

Mr. MCKINNON: I think possibly in some areas that imported oil could be brought in, but again I would not like to even hazard a guess at what the difference in price would be. As you know, we can only import oil east of Montreal during the season that navigation is open. Navigation as you know is closed for certain months of the year. This involves the building of storage, and so forth.

Mr. DAVIS: Could oil in any large quantities be brought in from the United States cheaper than from Canadian sources, say the prairies or southern Ontario?

Mr. MCKINNON: No. The oil could be brought in from the states, but of course our oil is competitive in the United States, and products could be brought in from the United States; there is no restriction. The overland exemption works both ways. I might say that the average wellhead price of Canadian crude is 45 cents a barrel less than the average price paid in the United States. I am quoting United States dollars and Canadian dollars. In other words, I think the price in the United States averages about $2.90 and in Canada it is around $2.45.

Mr. DAVIS: Could I conclude that between, say, Vancouver and Toronto the Canadian consumer is not paying any more than he would pay for oil from outside sources?

Mr. MCKINNON: I do not know whether I should make that statement. He is not paying any more than if oil was imported from outside. All I do know is that there has been no increase really in the price of products since the inception of the national oil policy on an average in Canada; very, very little. In fact, the price of fuel oil, I believe, has gone down, on the average.

Mr. SALTSMAN: A supplementary question, Mr. Chairman. If the wellhead price in the United States is more than that in Canada, are Canadian gasoline prices cheaper than American gasoline prices, forgetting about taxes, less taxes?

Mr. MCKINNON: They vary widely according to different areas and different regions. I think you have to remember that the United States gallon is less than the Canadian gallon; sometimes comparisons are made, and they forget the difference in the volume.

Mr. SALTSMAN: Is this true by barrel?

Mr. MCKINNON: I do not generally see the quotation on barrels except on heavy fuel oil.

Mr. PETERS: The barrel holds 25 Imperial gallons, does it not?

Mr. MCKINNON: It is 35 Imperial gallons and it is 42 United States gallons.

Mr. SALTSMAN: On the question of prices, Mr. Chairman, if Mr. Davis would permit me, I would like to indicate some European prices from the 1966 issue of the National Petroleum News Facts, in which it indicates that, in Canada our gasoline prices are at least five cents higher than they are in any of the countries in western Europe that do not have oil sources of their own; this is excluding taxes. The gross price is greater, but the taxes are much greater in Europe. In France the United States gallon sells for, less tax, 16.2 cents; Imperial gallon, 19.4 cents; Italy, 16 cents for the United States gallon; 19.2 for the Imperial gallon; Germany 21.6 cents; this compares to about 27 cents in Canada for a gallon of gasoline.

Mr. MCKINNON: Are those prices you are quoting in Europe the wholesale or the retail prices?

Mr. SALTSMAN: Retail. I can indicate how I have arrived at them. Let us take the one from France. The price of regular gasoline, including taxes, is 73.1 cents a gallon. The tax is 56.9 cents a gallon. This is the tax on gasoline in France; 16.2 cents is what the service station gets for the gasoline. This is sold at the service station. These are the figures I have. I can give you the paper. 16.2 cents is what the service station receives. This is the way I read it. Then the price of regular gasoline 73.1 cents a gallon, tax 56.9 cents a gallon. This would make it 16.2 cents a gallon to the consumer. Now, I think these are the facts on this.

Mr. MCKINNON: I wonder whether I could get a copy of those figures so that we—

Mr. SALTSMAN: I can give this to you and you can examine it because, as I said, I do not pretend to—

Mr. MCKINNON: Do you want it back?

Mr. SALTSMAN: Yes, I would like to have it back, but I do not pretend to be an expert on these things, but when you look at figures of this kind—

The CHAIRMAN: Have you completed your supplementary, Mr. Saltsman? Well, as I said, there were two other members who indicated on the second round of questions that they had further questions, Mr. Saltsman and Mr. Andras. It is now ten minutes to one and it is evidently the wish of the Committee to continue on another day with the National Energy Board, so do you feel that we should retire now?

Mr. ANDRAS: I will be about five minutes, Mr. Chairman. Mr. McCutcheon referred to our concern about the location of the pipe line as being perhaps parochial. I think he said it depended on whose ox was gored.

I submit it is much larger than that and I would like to be assured that the board is considering other arguments and for that purpose I would like to go on record with some of the excerpts from the argumemts presented during the last pipe line debate. Mr. Howe, Minister of Trade and Commerce, on November 8, 1949, outlined the Canadian government's policy. He stated in the House and I quote:

> —That resources of Canada, such as power or fluids or gas, which depend upon continuous transport, are used primarily for the benefit of Canada...the export of gas would be treated in exactly the same way that we treat the export of electricity, namely that the needs of Canada would be served first and would be protected in perpetuity for all export purposes.

That is from *Hansard*, the second session, of 1949, volume II, page 1560. He reiterated this policy at the beginning of the pipe line debate when he stated on March 15, 1956, that:

> No Canadian government can properly commit gas to export until Canadian requirements are provided for.

That is from *Hansard*, 1956, Volume II, page 2166, which brings to mind the tremendous importance of the forecasts which I think Mr. McKinnon mentioned as being set up for a 30 year period.

In addition, the following arguments were also advanced to support an all-Canadian pipe line, and I want to confirm what Mr. Peters has said as to the more or less all party attitude as expressed by individuals, at least, on this thing. He has spoken, as the New Democrat member, and here are excerpts from Conservative and Liberal members of that time. The first one is an excerpt from which Mr. Howe said, that to commit natural gas to a long term export contract—which is necessary under the exchange plan, and I submit would be necessary under the Trans-Canada Great Lakes Transmission application—would be detrimental to Canada if her needs of natural gas were to increase to such a point that exports under contract to the United States could be filled only at the expense of Canadian consumers.

The next argument by Mr. Howe was that the United States authorities thought that dependence upon Canadian supplies under the exchange plan could be accepted only cautiously and to a limited extent. Conversely, commitments of United States gas in Canadian markets could be entered into only in so far as the natural gas was clearly surplus to American domestic requirements.

Another argument was to make sure that control of the pipe line remains in Canada so that the needs of Canadian consumers will be protected in the future.

And that was Mr. Drew, page 2181, of that *Hansard*. Again Mr. Drew said that the exchange plan would place the price and quantity of gas exported to the United States and imported from the United States under the control of the United States Federal Power Commission.

Another argument advanced by Mr. Drew on page 2181 *Hansard* was that the Canadian route would assure Canada's economic as well as political independence. No matter how friendly any nation may be, it is prudent to follow a course that will retain the pipe line on Canadian soil.

• (12.53 p.m.)

And, finally, Mr. Howe said, in *Hansard*, 1956, Volume 4, page 4029, that a pipe line fully built in Canada is subject only to Canadian laws and regulations by the provinces and by the Board of Transport Commissioners. I just want to state my conviction that these arguments were valid then and they are valid today in the national interest, and they are not just regional or parochial pressures. I would like to be assured that the National Energy Board before they render their decision on this application, have taken these arguments into consideration and given them full weight.

The CHAIRMAN: Are there any further questions or comments? We have agreed to adjourn but I might say that we have a meeting scheduled for Thursday at 11 o'clock. Mr. Udall will be in Canada that day and will be having meetings with the Minister and officials in the morning; therefore, it will not be possible for use to call back any of those associated with this Department. However, I have attempted to contact, yesterday and again this morning, the Minister of Industry concerning the National Research Council. Perhaps, if we can make arrangements to hear the Research Council on Thursday, subject to your own approval, it might be the wise course of action to follow. If there is nobody who dissents from that view, I will take it I have your authority to proceed along that line. If for some reason we are unable to hear the National Research Council on Thursday, then we will proceed on Tuesday and Thursday of next week, first of all, with the Energy Board and at the conclusion of this, we will revert to Item 1 and have the Minister again before us.

Between now and Thursday, I will be calling a meeting of the—perhaps after orders of the day today if possible—steering committee to discuss this and the matters raised by Mr. Saltsman.

The meeting is adjourned.

THURSDAY, June 23, 1966.

● (11.00 a.m.)

The CHAIRMAN: Gentlemen, I see a quorum.

Today the Secretary of the Interior for the United States, Mr. Udall, is visiting here, therefore all the officials of the Department of Mines and Technical Surveys are tied up. However, it has been suggested to me, as Chairman, that perhaps—and we discussed this matter at the steering committee meeting the other day—it might be advisable for us to introduce a motion to seek permission to sit while the House is sitting so that next week we would have an opportunity to get in some extra sittings in order to conclude the business before us. This was agreed to during the meeting of the steering committee meeting yesterday.

One of the things that was brought up in the meeting concerned the calling of witnesses on the matter we discussed during the last day's proceedings and also on matters which we discussed earlier regarding water policy. The steering committee was of the view that if we entered into the business of calling witnesses at this point, our Committee—because the calling of one witness often leads to the calling of another—would spend a considerable amount of time during the next few weeks at this, and there is some suggestion that over the next few weeks there may be other things we ought to be doing in other places. With this in mind, I did suggest to the steering committee that perhaps we could, if it was their wish, conclude with the discussion of the estimates, with the understanding that in the event we do have a summer recess, at such time as we assembled again in the fall, we would have an opportunity to call those witnesses. When we come back in the fall the one thing that will be before the committee will be area development, which, I think, will take a fair amount of our time, and the other thing would be the supplementary estimates of the Department of Mines and Technical Surveys. I understand they will probably have, because of being a new department, more than an ordinary amount of supplementary estimates and therefore, we would have ample opportunity to call witnesses and continue our study of those matters which have come up during the course of the estimates. Mr. Peters, Mr. McCutcheon and myself came to the agreement that this would be an acceptable practice and, therefore, we should try and meet on Monday of next week in an effort to complete that aspect of our work that has been referred to us by the House. We will then meet next Monday at 9.30.

The other thing is that I would ask your assistance in giving the Committee Chairman the authority to ask the House this afternoon for permission to sit while the House is sitting next week. Now, it may well be that this will not be necessary, but in the event it is necessary, I think that it would be desirable to have this permission and therefore, if someone would make a motion to that effect I would certainly entertain it.

It is moved by Mr. Laflamme and seconded by Mr. McCutcheon that the Committee recommend to the House that it be authorized to sit while the House is sitting, this authority to have effect from Monday June 27 until Friday June 30 inclusive.

Mr. FULTON: Mr. Chairman, I would like to support the motion, but I would like to make a request that you do not sit on Monday morning for the reason that I have a commitment on that morning and I should think, at this stage, there would be others who are in the same position. I am wondering, therefore, if I could suggest or request that you take advantage of the motion and ask the House if we could sit on Monday afternoon instead of Monday morning.

The CHAIRMAN: I think that might be a reasonable request, Mr. Fulton. We have a number of matters that we would like to finish this coming week, one of them being questions asked by members of the Energy Board. Members are anticipating answers to these questions and it may well be that members would wish to sit on Monday morning to deal with the Energy Board and wait until the afternoon to commence our work with the Minister himself. Would that be an acceptable compromise, Mr. Fulton?

Mr. FULTON: It presupposes that I have no interest in the Energy Board, but—

The CHAIRMAN: The thing is, if I may say so, there were a number of members who displayed a considerable interest in the Energy Board which kept the Committee hopping the other day and we will have plenty of questions from all corners of the Committee to the Energy Board even with the minimum of nine members, and I dread to think of what would happen if we had all 24 members here.

Mr. PETERS: Mr. Chairman, I was in agreement to the proposition, but I just came from the agricultural committee meeting and they also asked for an extension of hours so they could sit while the House was sitting. It would appear that this is a conspiracy to wind up all committees by the end of June and this is just not possible. To my mind, it is ridiculous and for this reason I do not like being blackmailed. I have no objection to sitting in July if it is necessary, but I will be damned if I am going to be in the position personally of being pushed into a position where we are going to wind things up by June 30 or else there is no holiday. This is just not possible in some of the committees and there is a pattern developing which I am opposed to.

The CHAIRMAN: I would agree with the principle that you have espoused, Mr. Peters. In my position as Chairman, I think I recognize that on the one hand there may be a desire for us to conclude our estimates, while on the other hand, I recognize that this can only be accomplished with the co-operation of the committee and when all members feel that they have had an adequate study of the matters before us. I do not know about the committee on agriculture, but I do know, as far as this committee is concerned, the fault may rest with the Chairman, but we were a little later than some of the others getting started because of our first abortive attempts to hear the witnesses and then here was some problem with co-ordinating. I do know that since we have started there has not been any Committee where members have displayed more interest than this one. My only thought in getting permission is that it might be helpful on one occasion; otherwise we would be limited to just an hour or so on two occasions at the most. If we can do the work in that time, then certainly I would not be well disposed to ask to sit while the House is sitting particularly if we can get a session in on Monday. There is one exception and that is, later in the

week if we can deal with the National Research Council, it might be more to the convenience of the Minister and his officials if we could have one session with them during the afternoon, because on Thursday morning they are tied up. In other words, if we did have this permission I would try to use it only as a last resort depending on the extent of questioning that goes on during our regular meeting and the schedule of those we want to bring before us.

● (11.15 a.m.)

The study of the estimates themselves is one thing. I may be incorrect in this, but I notice some of the members are interested in getting into broader fields of questioning which I think is a separate thing and perhaps it might be better if we had an opportunity to do that in the fall. I am thinking of Mr. Kierans and others who have expressed an interest in appearing before us. I have been contacted by one or two other groups who wish to come and see us too. If we open the door to one of these groups, then I would feel we are obliged to open the door to all of them. I would feel we would be in a better position to do a better job if we started to do that in the fall rather than doing it now. I think in the normal course of things we probably would conclude with the estimates this week. The delay that I see as a possibility is the calling of outside witnesses. If we agree that we will have an opportunity to do this in the fall then I think we should work toward that end. In the normal course of things, if this were the month of May and there was no talk of a recess, it is likely we would conclude all our work.

Mr. SALTSMAN: Mr. Chairman, I am one of the people who is very interested in having the witness called and in examining some of the officials o the Energy Board. I would be perfectly willing at this stage to see the estimate go through provided we had the assurance—and I feel you have given it t us—that the witnesses could be called in the fall and that the questioning coul resume then. There are some significant things in this whole matter of nationa oil policy that have to be examined.

Mr. MCCUTCHEON: Mr. Chairman, this was my idea when we met yesterday I certainly did not agree to this without the assurance, which I took at fac value, that we were going to have these people in the fall.

The CHAIRMAN: I discussed this matter with Mr. Pepin and as far as he wa concerned we could go ahead. He seemed rather co-operative right from th beginning and felt that it would be a good thing for us to have as muc opportunity to do this kind of thing as possible. I told him the problem was tha if we brought in witnesses at this time it would prolong the sittings of th Committee but, if we could have the assurance we could continue in the fal then we could conclude our sittings now. He was very co-operative and agree with this.

Mr. DAVIS: Is there not an obligation on the government to bring in th supplementary estimates by departments.

The CHAIRMAN: No, there is no obligation, but if the government were t say now "we are not going to send the estimates to you, we will think about it then the Committee could say, "in that case, we will do the work now". I do n know if it is because of that or other reasons, but they have agreed to do this, t

send us the supplementary estimates and some other work too that they indicated would be in this area which would give us the opportunity to examine the Energy Board.

Mr. PETERS: Mr. Chairman, you are such an agreeable person that I hate to make an objection, but the technicality I think would be that if we passed the estimates—and I think Mr. Fulton and Mr. Davis would have more knowledge than I have on this—of the National Energy Board, it seems to me that unless there is specific reference to that in a supplementary estimate this matter is dead until another year goes by. Frankly, I am not interested in doing that. I am quite willing to oppose in the House the extension of our hours, demanding the 48 hour notice and put up a fight on it, if necessary, for the simple reason that—not that I do not agree that we have agreed to this arrangement—but I just do not think it is within our competence to do this. Any matter that comes before Committee has to be referred from the House, and even supplementary estimates will not necessarily get before this Committee, unless they are referred by the House. So if we are to have a summer recess by July 15, there is no chance whatsoever of all the estimates going through the House by that time. I would be prepared to agree to sit while the House is sitting to deal with the National Research Council. I am interested in the National Energy Board and the application before them by Trans Canada but I am not prepared to see the item dealing with the Energy Board passed until we have had a full discussion on the problem that is before us.

The CHAIRMAN: Mr. Peters, if I may say, your concern is that we will not have an opportunity to do this in the fall. I understand, if you are assured we will have this opportunity, then your attitude will be somewhat different. I have this assurance from the Minister, but the Minister could come before the Committee on Monday.

Mr. PETERS: Would the Chairman be prepared to separate the National Energy Board from the rest of the estimates when he reports to the House?

The CHAIRMAN: I discussed that with the Minister and I do not know if any of us are that knowledgeable on parliamentary procedure, but he was of the view that we could not do that. Maybe Mr. Fulton could comment.

Mr. FULTON: I would say you could, Mr. Chairman, if it was the desire of the Committee to hold that item back and have it before us when the House reconvenes. It occurred to me that another way would be to ask the Minister if he would give the assurance that he will put in a supplementary for the National Energy Board of $1 just so something can be referred to the Committee in the fall.

The CHAIRMAN: I did not go into the mechanics of it because there are two possibilities: One would be a bill referred to us on this matter dealing with energy or, as Mr. Fulton suggested. The assurance that I got from the Minister was that he would see to it that the National Energy Board was examined in the fall. Perhaps it might be better for all concerned if we had the Minister here on Monday. I do not know if it would be necessary for him to give us that assurance because at the conclusion of the discussions of the National Energy Board, he would be coming before us, anyway if some of the members wanted to discuss this outside the Committee with Mr. Pepin perhaps they would have a

clearer understanding of it. I am giving it second hand, as it were. If those of you who have some questions on this were to discuss it with Mr. Pepin himself, then perhaps you would understand the situation better.

Mr. ANDRAS: Another possibility, Mr. Chairman, would be in tendering the report of the Committee to the House you include a paragraph recommending hearing witnesses of the National Energy Board.

Mr. PETERS: Mr. Chairman, if we have this assurance that we can discuss this in the fall, we would just leave the National Energy Board now; there would be no discussion on it. It would not be that we discussed it, but that we left it alone. This is why I would like the item to stand. Then it is not reported and it is still before the Committee. I think that can be done. Because it is a board I do not see any reason why it cannot be allowed to stand. We would leave them alone: we would not call them again. We would be willing to go ahead with the other things and report the estimates without that. Because it is a board there is a technical difficulty whether it is an estimate in the normal sense.

The CHAIRMAN: If my understanding is correct, if we do that we have not passed the estimates. We cannot return the estimates to the House if they are not completed here. In other words, if we have the National Energy Board before us, as Mr. Fulton suggests, under a supplementary of $1, would that not meet the situation. Is not the important thing that we have the National Energy Board before us, whether or not it is under the estimates or under supplementary estimates, for the purposes of the questioning that will take place in this Committee and for the information that will be derived. There may be a distinction, but I do not seem to see it at the moment.

Mr. FULTON: I would like to suggest that you reconsider the matter. Mr. Peters' position would be in effect that if we completed the study and report the estimates back, including the estimates of the National Energy Board, then that means, in effect, that the Committee is satisfied with them; and, Mr. Peters feels that he is far from being satisfied with the National Energy Board. If that course is followed, on one hand you tell the House you are satisfied with it, but then you demand the right to bring them back and give them a thorough going over in an area of dissatisfaction in the fall. That seems to be a little inconsistent. I can appreciate Mr. Peters' feelings that he would not want to be put in that position. Could you not on Monday examine it, because it seems to be quite feasible for us to report back to the House that we have completed our study of item so and so, but we have not completed our study of one item having to do with the National Energy Board, and it is the feeling or recommendation of this Committee that we resume consideration of it in the fall. I do not know why we could not report that way.

The CHAIRMAN: I will certainly check on that. I am sure we could do that The practical effect of that would be the House would not be in a position to deal with the estimates of Mines and Technical Surveys until the fall. I do not know, but how could they pass the estimates save one item, and leave one item until the fall. My point is, they cannot discuss these estimates or pass these estimates in the House until we finish with the National Energy Board.

Mr. FULTON: I am subject to correction, but could the committee of supply not deal with them all except the National Energy Board and pass them. What is the problem? Is it a matter of interim supply that is concerning them?

The CHAIRMAN: I really do not know, Mr. Fulton. I will discuss this with someone who knows.

Mr. FULTON: Do I understand from your program—

The CHAIRMAN: The clerk has suggested that the House may be able to withdraw the item on the board from the estimates and give us another reference to deal with the board, and separate them in that way. I will take this matter up between now and Monday, and in the event that this is feasible, and it can be done that way, we will not have a session Monday morning, but, if Mr. Peters agrees, we will have the Minister on Monday afternoon.

Mr. PETERS: This would mean you would have to ask for permission in the House today.

The CHAIRMAN: Just present the report today, Mr. Peters, and then move it or not move it as the Committee wished on Monday.

Mr. PETERS: I do not want to be obnoxious, but it has been around quite a while now and unless you do it the proper way you will really be in trouble.

The CHAIRMAN: In the event that the suggestions made by Mr. Fulton, —which probably we can accommodate—cannot be accommodated, I would call a steering committee meeting for later on in the afternoon and we would discuss this. If it would be all right with the Committee, we would go by the decision reached by the steering committee on how to cope with this situation. Would that be agreeable to the Committee? We have three different viewpoints on the steering committee.

Mr. FULTON: That seems to me to be a good idea. I would like to make a request: According to information given in the House, next week the Bank Act resolution is going to be up in the House and I know you cannot avoid all conflicts at all times, but I would request that in scheduling meetings while the House is sitting, you bear that in mind.

• (11.30 a.m.)

The CHAIRMAN: I am rather of the opinion, Mr. Fulton, that we would sit on only one afternoon when the House was sitting. I think we will probably have to sit one afternoon because there are only two days we can sit, Tuesday and Thursday. Therefore, we will probably have to sit one afternoon. We are dealing with two Ministers on this, in calling of the National Research Council, so I will talk to both Ministers and find out for which of them it is more convenient to sit in the afternoon and deal with the other one in the morning. I am of the view that if possible, we ought not sit while the House is sitting, because it seems to be more difficult. There is a piece of legislation coming up on which I would like to make a speech and I am sure you would all want to be there to hear me.

If there is no other discussion, I think we have an understanding on this point and we will call for the question on permission to sit while the House is sitting. You have heard the motion. Are you ready for the question?

Those in favour? Opposed.

Motion agreed to.

That is all gentlemen. I thank you very much for your attendance and indulgence.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

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STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. RICHARD CASHIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

MONDAY, JUNE 27, 1966

Main Estimates (1966-67) of the National Research Council including the Medical Research Council

WITNESSES:

The Hon. C. M. Drury, Minister of Industry; Dr. B. G. Ballard, President, National Research Council; Dr. G. M. Brown, Chairman, Medical Research Council.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24709—1

STANDING COMMITTEE
ON
INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Richard Cashin

Vice-Chairman: Mr. Ovide Laflamme

and

Mr. Addison,
Mr. Andras,
Mr. Beaulieu,
Mr. Bower,
Mr. Davis,
Mr. Faulkner,
Mr. Forest,
Mr. Fulton,
Mr. Goyer,
Mr. Grafftey,
Mr. Hales,
Mr. Hopkins,
Mr. Langlois (*Chicoutimi*),
Mr. Latulippe,
Mr. Legault,
Mr. McCutcheon,
Mr. O'Keefe,
Mr. Peters,
Mr. Reid,
Mr. Saltsman,
Mr. Scott (*Victoria (Ont.)*),
Mr. Sherman—(24).

(Quorum 9)

R. V. Virr,
Clerk of the Committee.

ORDER OF REFERENCE

MONDAY, June 27, 1966.

Ordered,—That the Standing Committee on Industry, Research and Energy Development, be authorized to sit while the House is sitting, such authorit to Development, be authorized to sit while the House is sitting, such authority to

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

24709—1½

REPORT TO THE HOUSE

THURSDAY, June 23, 1966.

The Standing Committee on Industry, Research and Energy Development has the honour to present its

SECOND REPORT

Your Committee recommends that it be authorisd to sit while the House is sitting, such authority to have effect for Monday, June 27 until Thursday, June 30, 1966, inclusive.

Respectfully submitted,

RICHARD CASHIN,
Chairman.

(Concurred in Monday, June 27, 1966)

MINUTES OF PROCEEDINGS

MONDAY, June 27, 1966.
(10)

The Standing Committee on Industry, Research and Energy Development met this day at 4.00 o'clock p.m., the Chairman, Mr. Cashin, presiding.

Members present: Messrs. Andras, Bower, Cashin, Faulkner, Goyer, McCutcheon, O'Keefe, Peters, Reid, Saltsman, Scott (*Victoria (Ont.)*), (11).

In attendance: Hon. C. M. Drury, Minister of Industry; Dr. B. G. Ballard, President, National Research Council; Dr. G. M. Brown, Chairman, Medical Research Council.

The Chairman informed the Committee that they would consider the estimates of the National Research Council including the Medical Research Council. The Chairman introduced Hon. C. M. Drury, the Minister responsible for these two departments and requested him to make a brief opening statement.

The Minister briefly reviewed the highlights of the estimates of these departments and the members of the Committee questioned him thereon.

Item 1 was carried
Item 5 was carried
Item 10 was carried
Item 15 was carried.

The Chairman then informed the Committee that at the next meeting, the committee would consider item 1 of the main estimates of the Department of Mines and Technical Surveys and that the Hon. J.-L. Pepin would be in attendance.

At 5.45 o'clock p.m., the meeting adjourned until 9.30 o'clock a.m., Tuesday June 28, 1966.

R. V. Virr,
Clerk of the Committee

EVIDENCE

(Recorded by Electronic Apparatus)

MONDAY, June 27, 1966.

● (3.30 p.m.)

The CHAIRMAN: Gentlemen, we have a quorum.

Today we are going to deal with the National Research Council including the Medical Research Council. We have with us for this purpose the Minister of Industry who answers for this council in the House of Commons. I have informed the minister that the practice in the past was that we wished to avoid lengthy statements at the outset. So we will ask him to make only a brief introductory statement, and perhaps he can do that at this time, and then we will have questioning from the members of the committee.

Mr. C. M. DRURY (*Minister of Industry and Minister of Defence Production):* Thank you, Mr. Chairman. I would like, in appearing before the committee, to take this occasion to introduce to you and to members of the committee on my right Dr. Ballard who is the President of the National Research Council, and on his right Dr. Brown who is the Chairman of the Medical Research Council. Perhaps I should make it clear that the Medical Research Council, and on his right Dr. Brown who is the Chairman of the enjoys the distinction of having quite a separate function, a slightly autonomous function, and its own separate full time chairman.

Perhaps the members of the committee would look at either the estimates or this short pamphlet indicating the estimates, which will be the document to which I will make reference. The chairman has suggested that lengthy statements are neither necessary nor desirable, but particularly so in this case because I did make quite a long statement in the House regarding the National Research Council just a short time ago when we were examining legislation designed to amend the National Research Council Act.

In respect of these estimates, in form and purpose they are substantially the same as last year with some changes which I might indicate. First in respect of vote No. 1, operation, administration and maintenance, there is an increase which reflects largely the increases in salaries which have been made available to those in the employ of the government generally, although there has been a very slight increase in staff.

In respect of vote No. 5, construction or acquisition of buildings, the quantum of the program is largely the same as last year.

Vote No. 10 represents the largest single item of increase, scholarships and grants in aid of research the details of which are given on page 317 of the blue book. I would draw the attention of members of the committee to the fact that it is from the assistance provided through this program that the continuing Canadian scientific community will emerge, and on which I suggest, our future scientific achievement will depend.

We are not so fortunate in this country as to have an abundance of scientists and it is quite clear that unless steps are taken to increase the output

into our economic and social structure of scientists in the natural sciences, we will face a severe and perhaps crippling shortage. For this reason then it is important that special attention be devoted to this particular form of activity of assistance in respect of scientific, engineering and medical research which, as you know, is mostly carried out in the universities.

Within the universities themselves there has been a rapid increase in university staff, and graduate student population continues to increase about 20 per cent per annum. The support of these students, either through scholarships or as assistants on research projects, represents a very significant proportion of the total university support provided by the National Research Council.

To maintain a suitable position in science, it is necessary to acquire increasingly expensive and modern equipment, thus not only the numbers in research are increasing, but the cost must also, of necessity, increase. I would suggest that the government investment in science in Canada has contributed significantly to the Canadian economy.

It is proposed in these estimates, therefore, that university support be increased by about one third, 33.6 per cent, over the amount provided in the main estimates last year. Since the printing of these estimates, consideration has been given to a supplementary estimate or further assistance, and in particular it is likely that parliament will be asked to approve, in the not-too-distant future, a further $5½ million in respect of vote No. 10.

Carrying on, vote No. 15, assistance towards research in industry, the amount of increase there is just about exactly $1 million. It represents an increase of about one third again, 30 per cent over that provided last year. I am advised that this program is progressing satisfactorily. It is of interest to note that there were 160 active projects in progress under the industrial research assistance plan at the beginning of this fiscal year. These projects were distributed among both small and large companies, and already very promising results are emerging. The growth of this program is limited by the inability of industry to recruit staff, particularly senior research men.

Now, Mr. Chairman, if there are any questions, or if further elucidation is required, either Dr. Ballard, or myself will be glad to answer them.

The CHAIRMAN: Thank you very much, Mr. Drury. I might say at this point that it probably would be more expedient for us to commence our questioning under item No. 1, and then proceed with questions under the other votes. Otherwise we might be jumping back and forth from vote to vote. If it is acceptable to the committee, I would suggest if you have any questions now under vote No. 1, which will also probably include questions of a general nature, they might be directed to the minister at this time.

Mr. BOWER: I would like to know from the minister whether the Department works with the Atlantic Development Board in their effort to find new industries which could be established profitably in the maritimes; Nova Scotia is my particular interest?

Mr. DRURY: The National Research Council, to the best of my knowledge, does not have—Dr. Ballard might correct me in this—a specific program designed to seek out industries for the maritimes, but the services of the staff of the National Research Council are available to the Atlantic Development Board for the solution of any technological problems they may have.

Mr. ANDRAS: I have a supplementary question to that, Mr. Chairman. When you refer to technological help, do you exclude pure industrial research or economic research in that?

Mr. DRURY: Economic research, as a main preoccupation, is not part of the job of the National Research Council or the Medical Research Council. This is rather more the job or preoccupation of the Economic Council of Canada for specific government departments. The Department of Industry does economic research. The National Research Council will only do this where it is essential for the solution of either a fundamental research problem or a technological problem.

The CHAIRMAN: Mr. Bower, do you have any further questions?

Mr. BOWER: This is a supplementary question also, I would like to inquire if there might be some role which the National Research Council could play in connection with the Atlantic Development Board involving totally new approaches to the utilization, for example, of coal or coal mines which now seem to be non-economical, but after some investigation or research, metals might be found which would make them economical?

Mr. DRURY: Dr. Ballard might like to comment on that. I would just observe that for a number of years the National Research Council did support investigations carried on in a university regarding possible new applications and techniques of burning coal, in particular for the transportation system. I think this has largely petered out, not having produced economical results. However, you might like to add something, Dr. Ballard.

Dr. B. G. BALLARD (*President, National Research Council*): Thank you, Mr. Dury. It is quite true that the effort we are making in connection with coal has pretty well ceased. We have been very closely associated with the Atlantic Development Board on other problems though, particularly the commercial exploitation of seaweed. We have been working closely in touch with them in connection with a research establishment in Nova Scotia which will be devoted largely to this purpose.

(*Translation*)

Mr. GOYER: Mr. Minister does the Research Council, generally speaking, tend to specialize in its work or is its policy to proceed on a broad front, dealing with a number of areas and going into them in detail?

Mr. DRURY: In principle, a number of areas are chosen and gone into in detail. Quite obviously it is hardly possible for the Council to go thoroughly into every field. A choice must be made. The National Research Council has made these choices, dependent upon, in principle, the human and natural resources of Canada. In the areas chosen research is extremely thorough.

Mr. GOYER: Does the National Research Council carry out much industrial research specifically directed to industrial development?

Mr. DRURY: For example, in the field of aeronautics the work carried out by the Council is very much in depth. There are laboratories, there are wind tunnels—high speed and low speed, etc. We have laboratories in which, for instance, the principles of radar have been worked on in Canada by the National Research Council. In this particular field there has been considerable commercial development.

Mr. GOYER: Does the National Research Council have anything to do with Canadian patents?

Mr. DRURY: Yes. There is a connected organization called "Canadian Patents and Developments Limited" whose purpose it is to exploit patents obtained by Government employees, including those of the National Research Council, in order to have them developed within this country.

Mr. GOYER: Would this come under NRC or rather your own department? I would like to know the percentage of patents we export as compared to the number we import?

Mr. DRURY: I will ask Doctor Ballard to answer that if he can.

The question was, have we any figures on the relative number of patents, the exploitation of which we export, compared to the number of inventions patented abroad which we import.

Dr. BALLARD: We have that information, but I regret that I do not have it available here. I have seen it.

Mr. GOYER: Would it be possible to obtain these figures later?

Mr. DRURY: Yes.

Mr. Goyer: One last question concerning the Medical Research Council. Would it be possible to obtain the amount per hospital and per province or is that already mentioned in publications?

(*English*)

Mr. DRURY: Would you like to respond to that, Dr. Brown? Did you hear that question?

Dr. G. M. BROWN (*Chairman, Medical Research Council*): Yes I did.

Mr. DRURY: I might just make a preliminary observation. The Medical Research Council, like the National Research Council, makes grants not to provinces, not to institutions, but to individuals. The test is excellence, grants in support and in aid of excellence. So that the distribution of grants, both by the National Research Council and the Medical Research Council, tends rather to emphasize where the talents are found at any one moment.

Mr. BOWER: You do not make grants to institutions?

Mr. BROWN: No, sir, except in a very limited way.

(*Translation*)

Mr. GOYER: But in any event would it be possible, say, to have the way in which these are distributed?

(*English*)

Dr. BROWN: Yes, Mr. Chairman, this information is available. It is bulky; it is published elsewhere and it can certainly be made available to the committee that is the entire list of operating grants. These are grouped, and it is not too difficult to determine the distribution across the country from the published lists.

(*Translation*)

Mr. GOYER: It is obviously quite interesting to know which hospitals carry out more research and which less. I feel that would be of some interest to the public.

(*English*)

Mr. DRURY: I might ask Dr. Brown whether any of his grantees are in hospitals, or whether their associations are all with universities which employ them?

Dr. BROWN: The great majority of those in hospitals are in teaching hospitals with affiliations with medical schools. There are a few in hospitals that do not have affiliations with medical schools, but they will be carried on in a teaching function too. So that most of the grants to hospitals are actually, in effect to be associated with members of faculties of the associated medical schools.

(*Translation*)

Mr. GOYER: Here again does this Medical Research Council specialize its research or does it rather examine the grant to be given in respect of the importance attached to any particular project, without any general policy, without any broad policy of specialization?

(*English*)

Dr. BROWN: Mr. Chairman, as the minister has emphasized, the operating grants are made on the basis of the excellence of the applications which are put before it. There is some specialization in the sense that certain large fields are quite heavily supported by other agencies. It follows that the support the Medical Research Council would give to these fields is, therefore, less than in some fields which are not supported by voluntary agencies or by other governmental departments. There is not direction, however, in the giving of the operating grants. They are grants to assist good research when it is proposed. The lead for the research done comes then from the members of the faculty.

(*Translation*)

Mr. GOYER: I am sorry to revert, for this last question, to the NRC. Are there any links, is there any intercommunication between DRB and NRC?

(*English*)

Mr. DRURY: The question is, Dr. Ballard, are there organic links between the National Research Council and the Defence Research Board? There is some cross-membership?

Dr. BALLARD: There is cross-membership. The president of the National Research Council sits on the Defence Research Board so there is a very close contact. Then a number of the National Research Council scientists sit on the panels of the Defence Research Board.

• (4.24 p.m.)

(*Translation*)

Mr. GOYER: This is therefore carried out through personal action on the part of the members of the Council itself. Is there any joint research program between the two organizations?

(*English*)

Mr. DRURY: Are there any joint plans or joint research efforts? I think the emphasis there is rather on avoidance of duplication, and one undertakes work for the other. As I pointed out, the National Research Council has a very large aeronautical establishment which does all the research work in respect of aeronautics required by the Defence Research Board in pursuit of its studies. Similarly, the National Research Council makes use of the quite extensive radio laboratories of the Defence Research Board to do some of its work.

(*Translation*)

Mr. GOYER: Does the National Research Council have any specific views about such industrial research as is carried out by and within industry?

(*English*)

Mr. DRURY: The question is, does the National Research Council have any specific views concerning Research carried out by industry within industry.

(*Translation*)

This is a rather broad question. In general there is never enough. Such research as is carried out in industry must be initiated by industrialists themselves and not by NRC. I could add that NRC does not direct research within industries either, but here, as always, it is desirous of maintaining excellence in industrial research and it does, indeed, support it through grants.

(*Translation*)

Mr. GOYER: The purport of my question is this. The government supports industrial research through reductions on the corporation income tax that industry has to pay. In other words Canada does, indirectly at least, support research by and within industry. Should we not then have some right of supervision over such research in order to prevent duplication of research, in order to ensure that, on the contrary, there will be some correlation of research activity as between industry on the one hand and NRC on the other, as well as by the Department of National Defence?

(*English*)

Mr. DRURY: In so far as the tax incentives are concerned, the initiative is left entirely to private industry to choose the objects or the subjects for their research. There may well be duplication of effort in this field.

As I say, the choice is made by industry and the reliance in respect of tax incentives is on industry to pursue or to choose what would be useful and profitable to be done. When it comes to either the Defence Research Board or the National Research Council, who support individuals in doing research, care is taken to insure that either the National Research Council or the Defence Research Board do not engage in duplicated research or, I suppose, competing research.

(*Translation*)

Mr. GOYER: Speaking as the responsible minister would you say that the government should have some right of supervision over research carried out within industry?

Mr. DRURY: This again is a very broad question. Of course we must have a general idea as to what is going on, but having a look and giving advice is one thing whereas actual direction is another. I would not like to go so far as to control. We may have an interest in.....

Mr. GOYER: Could we not conclude that it woud be a general right of supervision, with possible later amplification or retention in the present conditions?

Mr. DRURY: There will soon be a bill on that subject, I hope.

(*English*)

The CHAIRMAN: Have you concluded, Mr. Goyer? The next person on my list is Mr. O'Keefe.

Mr. O'KEEFE: Mr. Chairman, my question is similar to one asked a little while ago which was answered by the minister in connection with the coal industry. I am more interested in the iron industry, and I was wondering whether anything is being done now—I know something was done—in research in the iron industry? I am thinking specifically, of course, of Bell Island in Newfoundland.

Mr. DRURY: Let me put it this way. The primary responsibility or interest in metallurgical applied research rests with the Department of Mines and Technical Surveys. In respect of the steel industry, the Department of Industry also has an interest in seeing that it is healthy and prosperous.

In relation to the particular problem of Bell Island, the Department of Industry, from its research and development vote, did provide a substantial sum of money to investigate the possibilities of beneficiating the Bell Island ore to make it usable in competition with the pelletized iron ore which is becoming rather standard. This investigation did produce some useful information and indication, but not enough to make it economically practicable for continuing use of this ore in the development projected for the Sydney smelters. There is, however, I understand, interest in this beneficiating arrangement being applicable to German furnaces, if not to Canadian. Dr. Ballard may have something to add to this.

Dr. B. G. BALLARD: We, in the Research Council, have limited contact with the metallurgical industries. We have assisted, to some extent, the steel company in Nova Scotia with our laboratory on the Dalhousie campus, but I am afraid our effort in this field has been very limited because of desire on our part to avoid any conflct or any overlapping of operation with the Department of Mines and Technical Surveys.

Mr. O'KEEFE: If this work could be pelletized instead of beneficiated, would it then be more suitable?

Mr. DRURY: Pelletizing I should say refers merely to the form as distinct from the content of the ore. The problem of the Bell Island ore is that it has a high phosphorus content which makes it difficult to smelt in the way in which non-phosphorus ores can be, and the beneficiation process means the removal of these impurities to get a rather higher percentage of pure iron. It is not really a problem of putting it into pellet form. I was a little loose in talking about pelletized ore. It could be made into pellets, but the contents of the pellets would still be unsatisfactory for use in most Canadian smelters.

Mr. O'KEEFE: It would still have the phosphorus?

Mr. DRURY: Yes, it would still have the phosphorus in it.

Mr. REID: I am rather interested in what types of research the National Research Council is specializing in?

Mr. DRURY: I refer you to the President.

Dr. BALLARD: Mr. Chairman, I believe we have nine divisions. Perhaps I can outline these very briefly. Two of them are devoted almost exclusively to very fundamental research, that is physics and chemistry. The applied divisions range over a relatively wide field, except we do endeavour to avoid overlapping existing government agencies or, indeed for that matter, other agencies. We have a division of building research which is actively engaged in improving building construction, in dealing with climatic conditions with which we are confronted in Canada which are quite severe, in endeavouring to make buildings more fireproof or to avoid the damage which fire does cause.

Then in the division of mechanical engineering we are concerned largely with hydraulic problems, including ship design and also waterway design. We have been very active in study and giving advice on the St. Lawrence Seaway, both from the point of view of navigation and power development. This is true also on the west coast. We have completed quite extensive investigations there, and also on the east coast, taking care of harbours, endeavouring to avoid silting in harbours. That division has developed a system of breakwaters which are, we believe, a substantial improvement on any existing breakwaters which are now being used elsewhere.

The division of the National Aeronautical Establishment deals almost entirely with aircraft development. Canada is a large exporter of the small type of service aircraft; the largest in the world, by the way, and we believe we have been very effective in assisting Canadian industry to achieve that export business. We have a number of wind tunnels, and this has enabled the companies to carry our their design more effectively and to undertake research themselves. We are now operating a high speed wind tunnel which has a speed of something like over four times the speed of sound. That is out at the airport. That is all part of the aeronautical development.

We also are engaged in the development of power plants for aircraft, and in particular we have been assisting the two major aircraft industries in short takeoff and vertical takeoff planes which are particularly important to Canada because of the rather limited landing fields we have in our far north.

The radio and electrical engineering division covers quite a variety of fields from radio astronomy to high voltage research to solid state physics research dealing with the more recent solid state devices in electric circuitry, radio astronomy, radar, and navigational devices of various kinds.

The division of applied chemistry covers a very broad range of activity dealing with mundane matters like laundries and textiles; also various chemical production processes and the damage done by various chemical agencies, particularly in the atmosphere. We have a division of applied physics which is engaged very extensively in the develpment of instrumentation. There is a small firm in Arnprior, I believe it is, which lives almost entirely on the developments emerged from that division, and this is largely an export trade. In the measuring field we have developed quite a number of unique devices which

are being used extensively both in Canada and especially abroad. There is one item which may interest you; it came out of our national aeronautical establishment and that is a crash position indicator which is now an inventory item with the United States Air Force. This instrument is bringing in a comfortable amount of money, something like $3 million a year, to a small Canadian industry.

This is a very brief rundown of what we are doing. We have some people working in medical electronics and they have been very successful in low temperature surgery. They have developed a battery for heart patients which uses the body juices as an electrolyte so that we do not have to replace batteries as has been necessary heretofore. I am afraid, Mr. Chairman, that I could go on indefinitely with these various devices.

Mr. O'KEEFE: Could I ask a supplementary here? Dr. Ballard, you mentioned silting in harbours and breakwaters on the east coast. What particular part of the east cost do you have in mind?

Dr. BALLARD: In the first place, the breakwater is at Baie Comeau, which is probably not east by your standards. I believe farther east we have made the Port aux Basques possible which was not at one time.

Mr. DRURY: The conventional breakwater, as you know, has a plain face, and this is a new energy absorbing form of construction which is really quite novel—I do not know whether I can call it revolutionary—but it has been accepted as being a major breakthrough in the construction of breakwaters.

Mr. O'KEEFE: I am wondering why it is that they are never introduced in places like Newfoundland where they are needed most?

Mr. DRURY: I would imagine the Department of Public Works would be using these.

Dr. BALLARD: They are certainly aware of this and I believe they will be using them wherever is it practical to do so.

The CHAIRMAN: I believe St. Bride's, Newfoundland, is a place which you have studied from the viewpoint of introducing a new type of breakwater. Do you recall that?

Dr. BALLARD: I do not recall that, but I should emphasize that having developed this breakwater, we try to persuade other people to install it. We are not construction people; we like to provide a device, or a design, if you like.

Mr. O'KEEFE: Would the other people you mentioned be the Department of Public Works?

Dr. BALLARD: This will be not only public works, but we are publicizing this to consulting engineers so that this will be used, we hope, wherever there is a satisfactory location for that type of breakwater. Baie Comeau happens to be a particularly appropriate one.

Mr. REID: Mr. Chairman, now that we have settled the difficulties of the fishing industry on the east coast, perhaps I could ask the minister if he could describe for us, or perhaps you, Doctor, could do this, the way in which you publicize your discoveries. I am particularly concerned here with an aspect which Mr. Goyer brought up as to how you get these discoveries into the hands of Canadian companies which can exploit them?

Dr. BALLARD: It depends, of course, on the type of output we are thinking about. In the more fundamental work we publish in the normal research journals which have a wide distribution, but in the applied field we endeavour to bring this to the attention of industry through various devices. We have a patent handbook, for example, which lists all the patents we hold in the Canadian Patents and Development Company about which the minister spoke earlier. However, failing that, we do endeavour to approach those industries which we believe would be most interested in this; it is a direct approach.

Mr. REID: Do you actually carry on this approach yourself?

Dr. BALLARD: We actually carry on this approach ourselves, but this is after we have publicized release of the particular device or devices we are talking about. In addition, we have a technical information service with staff located in most of the major centres in Canada. They also publicize the work we are doing in addition to endeavouring to assist local industry, or ondustry in that particular area, by answering questions or providing information on the problems with which those industries are confronted.

Mr. REID: Is there much direct co-operation between industry and yourselves? If industry has a particular problem, will they come to you?

Dr. BALLARD: This depends, to a large extent, on the industry. Many industries do come to us and come to us very rapidly. We have a very gratifying number of letters on our files from industries who have benefitted by the assistance we have given them in various sorts of ways. It is not always easy to reach a wide range of industry in Canada. We have tried various devices to publicize the work, particularly the work of the technical information service but I think we have failed, to some extent, to reach industry as extensively as we should.

Mr. REID: Are you working through the Department of Industry to improve your liaison with industry?

Dr. BALLARD: It would be hard to imagine how much closer we can get to the Deparment of Industry. The minister is the person to whom we report, but we do co-operate with the staff of the Department of Industry.

Mr. REID: You actually co-operate with the staff officers of the Department

Dr. BALLARD: That is correct.

Mr. REID: I have seen some experience in my time here where boards, which report to the minister, do so quite unwillingly if it happens to be with another organization with which they may be in conflict. This is why I was pursuing that line of questioning.

As I see it, your board carries on almost a three-fold function then. You perform a great deal of actual practical research as well as pure research. You act, to a certain extent, as a contractor for solving the problems which industry may choose to bring to you and, thirdly, to another extent, you dispense a great deal of largesse to universities and individuals working on specific projects.

Dr. BALLARD: I would say the industries would not agree that we distribute a great amount of largesse, but we do support them.

Essentially, you have described our operations satisfactorily; they do the various things you have described.

Mr. REID: One of the things going on in the public press and in parliament, for that matter, is the debate on whether Canada can be independent. It seems to me that there has to be a certain amount of specilization in Canada to develop products out of the researches of organizations such as yours. Can you tell us what success you have had in creating Canadian industries or, to put it in other terms, in building up sort of a limited Canadian specialization in certain fields?

Dr. BALLARD: I am afraid that this would perhaps take an inordinate amount of time. I have already mentioned one or two of these cases; a small instrument firm arose entirely out of the work of the National Research Council. The firm which is now manufacturing the crash position indicators is another example of this. These are two industries which are really living largely on ideas that emerged from the National Research Council.

I would say the Canadian Aircraft industry could not have survived without the facilities we have. I do not mean to take away from them any credit in their achievement, but I think it was an essential partnership; without that facility they could not have maintained a competitive position. I must say, though, that there has been no set pattern of our endeavour. At one time we certainly made it possible for Canadian industry to have an almost world monopoly of marine radar sets. I think there were more Canadian marine radar sets after the war on world shipping than any other single kind. We could not hold that position indefinitely, but we are still in a very comfortable position. This is the result of marine radar developed in the National Research Council.

Mr. REID: Have you any examples where discoveries which you may have made have not been taken up by Canadian industry, but have been taken on by Canadian subsidiaries of United States' firms or by United States' firms or by firms from other countries?

Dr. BALLARD: At the moment I cannot think of any ideas which fall into that particular category, but I must regretfully say that we have seen some of our ideas exploited by foreign firms which were not necessarily either American or Canadian subsidiaries.

Mr. DRURY: Let me give you an example of a failure on the part of the National Research Council or its subsidiary, Canadian Patents and Developments, to interest Canadians in a very successful development. This was a photogrammetry machine. Is that what it is called?

Dr. BALLARD: It is known as a Helava plotter.

Mr. DRURY: It is very elaborate arrangement for converting airplane photographs into maps with a minimum of either cerebration, on the part of the map producer, or effort. Canadian Patents and Developments were unable to get anybody in Canada to take this on, and we are now in the embarrassing position of having it taken up by an Italian firm. A Canadian governmental department has had to buy one of these machines from Italy.

Mr. REID: Is that the Department of Mines and Technical Surveys?

Mr. DRURY: It is being manufactured in Italy. An example of an American subsidiary in Canada profiting from the work of the National Research Council is R.C.A. Victor who have a Doppler navigation system which is in world-wide use. They enjoy a tremendous market from this navigational instrument based on a principle developed by the National Research Council.

Mr. Reid: Have these two examples been caused by lack of initiative on the part of Canadian industry, or lack of advertisement on the part of the Department of Industry and the National Research Board?

Mr. Drury: Of course, both these items or examples I mentioned came into commercial production before the Department of Industry was formed.

Mr. Reid: That is a very good out.

Dr. Ballard: That leaves it squarely in my lap. I should say that Mr. Drury has never let me forget the National Research Council's failure to exploit the Helava plotter more effectively. When I explained to him that we thought we had done our best; we had approached every Canadian firm that we thought might have a reasonable chance of manufacturing it, he told me it was just like politics, that it does not matter how good your logic is, if you lose the election you are out, and we lost the election. Nevertheless, I think all Canadian firms rejected this because it would require a fair investment to put it into production. The Italian firm is no better equipped to do this than almost any of the Canadian firms we approached, but they did have the initiative to approach the United States for a development contract; they got that and got the thing into production on United States money, and then proceeded to sell it all over the world.

Mr. Reid: This seems to be the pattern which we should be adopting—it is a trick to some extent—that is using American money creatively. The reason I am so concerned about this is because it is now becoming very obvious that with the discoveries coming out of the United States space program, that the time lag between a discovery and its commercial application is becoming very small. The example which I saw quoted over the week end was the laser which, evidently after discovery, took about three months to put into commercial application. It means that if you are coming up with discoveries and we do not have a fast and efficient way to communicate them, and if our companies are not prepared to move quickly, opportunities such as these will be lost because you are not the only one doing research in these various areas, either in Canada or in the United States or elsewhere. Is this a problem?

● (4.55 p.m.)

Dr. Ballard: I agree with much of what you say, but it would be unfair to say that all industry in Canada is lacking in initiative. It is a fact that most of the satellites, of which you speak that are put up in the United States, now carry a Canadian antenna which was developed in the National Research Council. You will find that some of the instrumentation is of Canadian origin because we are better in some respects than any competitor. I think we can go through a whole list of areas in which this is so. I am not suggesting for a moment that we have managed to exploit as much as we should have.

Mr. Reid: It is a fascinating topic, and I would like to pin you both down a little more, but I think I had better pass.

Mr. Peters: In relation to the divisions which you have—and you mentioned a number of them—you indicated our considerable experience and effort in the aeronautical field in wind tunnels, et cetera. Is this the department which could be charged with doing automobile safety research?

Dr. Ballard: I think it is too early yet to say who is going to be doing this research.

Mr. PETERS: Why is it too early?

Dr. BALLARD: Can you answer that, Mr. Drury?

Mr. DRURY: You are asking Dr. Ballard whether the National Research Council is going to do this automobile research?

Mr. PETERS: Perhaps I worded it wrongly. Obviously I should ask you that, but I would have thought that in certain fields we would already be doing research in allied fields, such as the ejector seats, and the crash material we have obtained from aeronautical research has some application. This matter of automobile safety, from a Canadian point of view, has become a very important factor, and the government is going to have to give a greater amount of attention to it. Is it the National Research Department which is going to do the research? I understood there was considerable research under way.

Mr. DRURY: The National Research Council did, for the recent committee meeting which was held at the beginning of last week in Ottawa, a survey of information or of existing literature. There had been no co-ordinated research work done by the government of Canada into this question of automobile accidents which are the product of a number of factors, only one of which is the motor car itself.

The suggestion was made by this committee that the federal government should undertake extensive research work into the problem of cutting down automobile accidents. This is partly physiological, partly psychological, and partly engineering; it is a mixture of a number of disciplines. It has not yet been decided which would be the most appropriate arm or agency of the government to co-ordinate all this. It is going to involve considerably more than one specialized arm of the government. Some government agency or department has to be selected as being the best one to coordinate and organize all this. No matter what is done, you can be sure the National Research Council is going to have a large part to play, but whether the National Research Council will be charged specifically with organizing and co-ordinating all this research, has not yet been decided.

Mr. PETERS: In arriving at the decision of the National Research Council—and the charge is often made that we are paying an extensive amount of money for the aeronautical engineering being done by National Research; I have heard the number of projects and the amount of some of the projects—it seems to me that in aeronautical research we have been doing research into all the factors. We have now developed a device for a crash indicator of some kind.

Mr. DRURY: A crash position indicator is a device which will record the main performance characteristics of the last few minutes of flight of an aircraft. Following a crash it will be discharged from the aircraft unharmed and automatically start emitting a homing signal. This is of very considerable value in respect of an aircraft crashing, but will not be an awful lot of help in an automobile accident. In the development of this instrument, obviously a great deal of scientific and technological knowledge was employed and, where appropriate, the same talents will be devoted to automobile safety.

Mr. PETERS: Did this not arise out of the crash at Dorval?

Mr. DRURY: No. Fortunately or unfortunately this was initiated long before that. There was no problem in locating the crash at Dorval.

Mr. PETERS: My hope is that we do something in co-ordinating this matter. This could be the medical aspect, also psychological and perhaps the sociological problems of automobiles. Why has the National Research Council never made recommendations on such things as tires, for instance? They must have done an exceptional amount of research into aeronautical tires, the landing impact, the tread values, the rain factors, the cold and heat, and other factors which go into aircraft landing.

Why have we never really been in a position decide first line, second line, and unsatisfactory automobile tires? It seems to me it is not good enough to allow the companies to say, "This is a first line tire." First line is better than second line but it is a comparable thing. What I am wondering is has the National Research Council not advised the government on some of these fairly fundamental safety factors?

Dr. BALLARD: In the first place, there is very little comparison between aircraft tires and automotive tires. Their performance is vastly different. There are many things we could be doing which we are not. We have to choose the areas into which we are going to enter; we may not always choose correctly. I am bound to say that we have been given a fair degree of freedom in what we choose to do, so the fault must rest with the Research Council if we do not choose the right programs. Nevertheless, we have not undertaken any program on tires as yet.

Mr. PETERS: Before we leave this automobile question, I would like to raise another matter. You mentioned before the climatic conditions in Canada being different from other fields. It is certainly true with automobiles. There should be no automobile built in Canada without a plug-in heater because one cannot operate without one; it should be part of the car if you are going to drive it in the winter time. To some extent, the same is true with batteries; there is a difference in batteries used in Canada and batteries used any place else in the world.

We have depended on the United State market to develop an automobile for us; but obviously our needs are not climatically the same as the United States. Has any work been done on this aspect of it? For instance, when a battery factory was set up under government auspices in the maritimes, did we give any consideration to a specialized Canadian type of battery?

Dr. BALLARD: I am afraid I could not answer that. We have nothing to do with the battery industry.

Mr. PETERS: This is under the provincial-municipal arrangements.

Mr. DRURY: There is, partly by the National Research Council and partly by the Defence Research Board, very considerable research and developmental work in connection with very cold climates. Most of this experimental work is done out of Churchill, and they have developed a whole range of devices, including batteries and special electrolytes, antifreezes, and very low temperature oils, for motor vehicles. They all have one feature in common; they cost quite a lot more than the standard. These special lubricants are available from the oil companies, the electrolytes from the battery companies, and the public, if they want to pay for them can have them. The government, and certainly the

National Research Council and the Defence Research Board, does not propose to insist that the public be made to buy very low temperature oils or special non-freezing batteries, but they develop them and in conditions where these are deemed to be essential to the military, they are obtained.

Mr. PETERS: It is not a matter of the public being aware they are in existence and are developed.

I want to change the subject. We are faced almost immediately with this matter of pipeline transportation of solids. Has the National Research Council been actively engaged in this field?

Dr. BALLARD: No, we have not. The Pulp and Paper Institute have been actively engaged in studies in this field.

Mr. PETERS: Have you supported companies in their endeavours?

Dr. Ballard: I am afraid I could not give you an answer to that.

Mr. DRURY: Perhaps I might. Support for the pulp and paper pilot pipeline was provided by the Department of Industry. We are now giving consideration to a further project for the pipelining of capsules, which is transporting materials through a pipeline that should not be mixed with fluids. It is a technique of getting them through, putting them in a capsule and letting the liquid carry it.

Mr. PETERS: There is a bill before parliament now for a pipeline to carry sulphur to the west coast from the middle of Saskatchewan which creates an immediate legislative problem, in my opinion, because it is carrying a commodity which obviously is going to have an effect on other transportation media. I was wondering if you had been asked by the Shell Oil Company to co-operate in this development. There is no problem in getting the sulphur and the oil together. The problem appears to be to get the sulphur out of the oil when it reaches the other end. In discussing this matter with their research people, I was interested in the fact that they have about 7,000 people working on this problem right now, most of them Ph.D.'s. How do you get committed to assist in this type of program? I am interested so that the government will have an intimate knowledge of what is going to be a highly competitive operation which is going to affect governments.

Dr. BALLARD: We are doing work on some of the more fundamental aspects of this which would involve a separation of the components out of the pipeline again, but I am not aware that any of the oil companies have approached us on this particular problem.

Mr. PETERS: There is one other question. In the medical research side, how extensive is the research in developing or assessing whether there is a need in Canada for the action taken by the United States of labelling cigarettes as a hazard?

Dr. BALLARD: I think since Dr. Brown smokes cigarettes, perhaps he can answer this.

Dr. BROWN: Mr. Chairman, that is in the field of National Health and Welfare and not the Medical Research Council.

Mr. PETERS: Perhaps I should ask it another way. What research advice is available to government in fields of this nature from the National Research Council and the Medical Research Council? Certainly, we are not going to argue

the merits of smoking one way or the other. Perhaps the United States has done this type of research, and a certain hysteria has developed around it from the legislative point of view. Does the National Research Council provide enough advice so that the government itself is well informed of the technical problems which research develops?

Mr. DRURY: Speaking for the National Research Council in respect of the technological problems it concerns itself with, I think the answer to your question is "yes". What they do not know or have not been actively concerned in, their contacts with the technological community in Canada are such that they can find out very quickly and make what, in my experience, has been quite valid assessments of the validity or non-validity of proposals put forward.

In so far as cigarette smoking is concerned, the Department of National Health and Welfare has again a series of contacts with the United States health department, and I am sure all the information available to the United States Department of Health, Education and Welfare is available to the Department of National Health and Welfare here. How much more independent research they are doing in Canada as a department, I, frankly, do not know.

Mr. PETERS: May I ask one last question then. Is there any advantage to extending the role of the National Research Council to the extent of providing a library of information in various research fields? I could mention, for instance, agriculture developing a number of commodities such as a butter substitute. Obviously we should be or are in the field of developing Canadian type of cheeses and many things in agriculture. The Department of Mines and Technical Surveys is continually doing research into technical changes in metallurgy and other factors.

Would there be any advantage in having the National Research Council extended to the degree of having a library of research information available in one place? There seems to be so much information floating around from every department, and everbody has a bit of a research agency.

Mr. DRURY: You will recall that one of the progressive pieces of legislation which you approved not very long ago was the amendment to the National Research Council Act to make that body the custodian of the science library of Canada. We have one big problem; Mr. Reid touched on it a bit, and that is communicating knowledge gained by a whole variety of people to others who might be interested. They have been studying this problem not only in Canada, but also in the United States and in the United Kingdom. Thought is being given to the development of a very large national computer into which will be programmed every scientific technological development as quickly as is possible. This information will then be callable by anybody who happens to be interested.

This does involve not only a very substantial investment obviously in the machine and the communications to serve it, but a very difficult program indeed of indexing. The National Research Council is addressing itself to this problem as far as Canada is concerned. Corresponding bodies in the United Kingdom and the United States are doing the same thing. This is one way of avoiding duplication of effort, people having to rediscover the same old thing for themselves. If we could only get this information all centralized and readily accessible to everybody, all our duplication of effort would be avoided. The pace

now of technological advance is just staggering and the problem that scientists themselves face is how to keep up with what other people are discovering.

Mr. McCUTCHEON: I shall be very brief. We have had a most interesting discussion here this afternoon, Mr. Chairman. I would like to compliment the two good doctors and the minister for giving us an excellent explanation of their work.

We are being asked to provide almost $15 million in additional funds in these estimates. When this is broken down under vote No. 10, there is a $7 million increase in grants to science and engineering; $3 million in scholarships and grants in aid of medical research, and $1 million towards research in industry. These figures add up to $11 million, and about $4 million, as the minister mentioned, goes into increased wages, et cetera. My question is very simple. How many more individuals are involved in the establishment now that we are spending this extra $10 million or $11 million?

Mr. DRURY: Did you say how many individuals?

Mr. McCUTCHEON: How many more individuals?

Mr. DRURY: There is an indication on page 315 of the details under "Establishment", and you will see that last year the number was 2,769, this year it is 2,889.

Mr. McCUTCHEON: I do not see that. Where did you say that was?

Mr. DRURY: Page 315, on the left hand side of the page, under "Positions (man-years)".

Mr. McCUTCHEON: Yes.

Mr. DRURY: Within the National Research Council itself, if you will turn to page 316 you will see vote No. 1, "Expendable Research Equipment". There is a very large increase under that item which, obviously, is not salaries. It points up what I said earlier, that not only are the numbers going up, but also the cost of equipment is going up.

Mr. McCUTCHEON: My concern in this matter was the fact that we hear so much of a brain drain in Canada. How are we doing for personnel? Are we keeping abreast?

Mr. DRURY: I might ask Dr. Ballard to say a word on that. He is a little gloomy.

Dr. BALLARD: I think I can only say that we are not quite keeping abreast. We are losing people to the United States. Until quite recently, we have really imported more than we have exported in the way of scientific personnel. The difficulty is that we do not have any very reliable statistics. We do not have any good statistics of the number of Canadians who go to the United States and return. So that we really do not know how serious the brain drain is, but we do know that people are going to the United States. We also know that we are attracting, perhaps more this year than I can recall, more people from the United States to go into our Canadian universities. I am afraid I cannot give a very satisfactory answer to this, but we are losing more people than we would like. However, whether we are losing that many more than we are gaining, would be difficult to say. We simply do not have the statistics.

Mr. McCUTCHEON: What are we doing to try to reverse this problem which we are not just quite sure of?

Dr. BALLARD: I think the main attack is to create a more exciting scientific environment, and we are doing that. This is being done in the universities; it is being done in the government service, but especially in the universities. It is being done also in industry because the one factor that is reducing the expansion of research and industry is the difficulty in obtaining staff. If you will look at some of these figures you will see that we have a commitment for support of research in Canadian industry well beyond the final amount we may spend. The reason for that is that we can approve a number of research projects in Canadian industry, but they never come to fruition because the industries simply cannot get people to fill those posts. This is one of the weaknesses, but we are providing more exciting opportunities.

Mr. MCCUTCHEON: By "exciting", do you mean more money?

Dr. BALLARD: No.

Mr. MCCUTCHEON: Or more challenge?

Dr. BALLARD: More challenge.

Mr. MCCUTCHEON: This again may not be a very intelligent question, and it was partially answered by one of the other questioners. Does the National Research Council gain financially on the acceptance of a suitable invention or product?

Dr. BALLARD: By "acceptance" do you mean acceptance by—

Mr. MCCUTCHEON: By an industry, shall we say.

Dr. BALLARD: In a very modest way. We were speaking earlier about the Helava plotter which was not made in Canada, but is being made in Italy. However, despite that fact, we have recovered something like $190 thousand in royalties.

Mr. MCCUTCHEON: Was that enough to pay for the machine which we bought?

Dr. BALLARD: It helps to pay for it.

Mr. MCCUTCHEON: I have no further questions. Thank you very much.

Mr. SALTSMAN: Mr. Chairman, since you invited me to attend, the very least I can do is ask a question.

The CHAIRMAN: At the time we invited you to attend, Mr.Saltsman, I might say, we were short of a quorum, but by the time you arrived we had achieved that quorum.

• (5.25 p.m.)

Mr. SALTSMAN: It is a very short question. To what extent are our universities producing the kind of people which we require? I am talking about the specific kinds of skills which we need in Canada. Are we producing many people who perhaps can only be exported because there are really no opportunities for them in Canada, as against perhaps producing many people for whom opportunities exist? For instance, we had the people from mines here at one stage, and they indicated there was a severe shortage of professionals in that field. I think there was also an indication that there are shortages of people in geography and fields of that type.

Dr. BALLARD: I believe it is quite true that we are not producing enough people in certain disciplines. I do not know how you persuade young men to enter these disciplines. Certainly, there are areas where we are producing

perhaps not enough, but approaching a suitable number. There seems to be quite a serious shortage of engineers at the moment, and I think perhaps in the more well established sciences, such as chemistry and physics, we are not in quite as unfavourable a position as we are for geologists, for example. We are not producing, in my opinion at least, as many mathematicians as we should.

It is difficult to provide the incentive to persuade young men to go into these fields. I do not know just how you do this. At the other end of the scale, we have disciplines in which we think we could produce too many, and in these cases perhaps we have not been clairvoyant enough all across the board. But in most cases we have actually discouraged research in those fields.

Mr. SALTSMAN: Does anything come to mind from your experience in the way of incentives which could be offered for people to enter those disciplines which are badly needed here in Canada? I am thinking of special bursaries or higher than usual bursaries to make it easier for someone who has not quite made up his mind to go one way rather than the other.

Dr. BALLARD: This has been done, but it has not been too successful.

Mr. SALTSMAN: What you are suggesting is that there should be a considerable differential in order to attract people into those fields which require them?

Dr. BALLARD: I am not certain that this differential is going to produce satisfactory results. It seems to me that the incentive should come in some other way, that you should make it clear to young men entering university what opportunities there are in some of the areas which need more men. I see Dr. Brown wagging his finger at me; He disagrees with me.

Dr. BROWN: Mr. Chairman, I would like to say that I agree with Dr. Ballard. For a bursary or fellowship, the man or woman in training must be supported on an adequate level during his period of training. In the sciences of the universities what we must aim at is a level of living or a social status which is the equivalent perhaps of the young industrial type who is getting on job training. We are not there yet, but we are getting there.

On the medical side, we have our scholarships now in line, for the research people, with the salaries that these young men in training for the lucrative specialties are receiving. However, this is not enough, as Dr. Ballard has just pointed out. Beyond the fellowship, beyond the bursary, we must show the man a future. This future is not only money; it is status, it is respect from all the rest of us, and it is the opportunity to do a job.

We must avoid the idea that simply providing money for bursaries will solve all our troubles—it will not.

The CHAIRMAN: We have now concluded our questions.

Items 1, 5 and 10 agreed to.

The CHAIRMAN: We will now deal with vote No. 15, namely:

15. Assistance toward Research in Industry under terms and conditions approved by the Governor in Council including authority, notwithstanding section 30 of the Financial Administration Act, to make commitments for the current year not to exceed a total amount of $6,000,000, $4,500,000.

Mr. BOWER: I have a question on vote No. 15. I bring it up, Mr. Chairman, because it involves an issue which is much discussed these days, namely the

foreign control of many of our companies in the form of subsidiaries. I should like to pose this question to see what the minister has to say about it. We have United States foreign subsidiaries, and I would hate to make an estimate of how much they spend in Canada, but it certainly will run into several hundreds of millions of dollars in basic research. Many of these parent companies are competitive, and certainly that being the case, they must provide the subsidiaries here with the benefits of research which is done at wherever the parent company operates. Is that not a very important factor in Canada's present juncture in the way of applying basic research which is beyond our present means?

Mr. DRURY: There is no question about it. We have reached our present stage of economic development, to quite a measurable degree, through imported technology. Perhaps we are rather more favoured than most other countries by reason of propinquity and especially intimate relations we have with the United States which is certainly the world's foremost generator of new technology. I think we have profited largely by this and most Canadians will be grateful for it.

However, continuing reliance on imported technology does tend to produce a position of dependence, never in any field being better than at most second best. Recognizing this, efforts are being made not only by the National Research Council in this increased grant this year which represents an increase over the previous year, but also in the Department of Industry and other governmental departments to encourage more basic and new research work being done in Canada, in the hopes that as the years go by we will become less and less dependent, at least in certain specialized fields, on imported technology.

Mr. BOWER: I would certainly favour continuing and expanding our own research by all means. However, I think perhaps we should not do anything to discourage or to lessen what we are receiving at the present time, which is of such astronomical sums that we cannot aspire to for a few years.

Mr. DRURY: To my knowledge, nothing is being done to discourage the importation of technology, nor is there any intention to do so. But this is somewhat different, I think, from saying that we aspire to lead the field in certain specialized areas, and some are already evident.

I think we have made, with some considerable effort, a major technological advance in respect of the development of power for nuclear energy. I think we have been very successful in this field. We have a process which is unique; it is Canadian, and I think it represents, to a greater degree than some other solutions found, the wave of the future.

Mr. BALLARD: In my opinion the amount of technology and information we get from the United States is, in a large measure, in proportion to what we generate ourselves. If we can talk intelligently about these problems we get the information. I think this has been demonstrated quite frequently. The more we know ourselves, the more we can get from the United States, and from other countries. This is not confind to the United States.

Mr. SALTSMAN: I would like to direct this question to any member of your panel, Mr. Chairman. The criticism that is often made about Canadian research is that we tend to receive a great deal of value out of the relatively small amount of money we spend on it, and that much of our research funds are doled out in sort of a—if I might use the term—in conservative fashion. We are very cautious about the way we spend our money in Canada on research.

I think this is somewhat true about our foreign aid as well, but we get a great deal out of the money we spend. As an example, many institutions and people will come to your board for assistance to find that the project will be approved, but at a lesser figure. This has been my understanding.

The argument which is made, and I hope I am quoting the article correctly, is contained in an article by Mr. Jackson in one of the scientific magazines, where he pointed out that the essence of research is to open up the flood gate, and that there is inevitably going to be considerable waste if you really want to encourage research, and that you have to accept this as a prior proposition in order to get research going in a country. He says that if you are overly cautious with the way sums are doled out for this purpose, this will have a very great inhibiting effect on us, and that you almost have to accept considerable waste if you want to create a suitable climate for research in a country. I would be very interested in your comments on this.

Dr. BALLARD: I would not be prepared to admit that we accept a waste in, as you describe it, "doling out money in small quantities". There is no doubt that we are not awarding grants as generously as they do in the United States, and we are never permitted to forget this by the university people. However, I think it means we are supporting excellence more seriously, if you like, than they are in the United States. The consequence of this is that we are probably cutting off people at the lower end of the scale of excellence. I agree we are not supporting the top people as generously as they are supported in the United States, but nevertheless our whole economy is a little bit lower.

Mr. SALTSMAN: Even taking the fact that our gross national product and our economy tends to be lower—I do not know whether any figures were introduced earlier at this committee meeting—there seems to be every indication that even at the percentage of our gross national products we are probably spending less than almost any western nation on research. So this is not a very good argument for making comparisons between ourselves and the United States.

The criticism seems to be that it is the climate, the attitude towards research here, and this is perhaps typical of all Canadian things. One has to be very concrete and say, "This is exactly what we are going to do with so many men, so many hours," before you can get any money for research. This seems to frustrate some of the people in research. Whether it should or not, I do not know, but it seems to be very frustrating to them because they say, "We have a project where we require three assistants;" they are using undergraduates to help them.

They find that the money which has been allocated to them will only permit the use of these undergraduates on a part time basis. They feel that all this is an integral part of providing a suitable climate for research; that you have to spend money and you have to be prepared for a little waste.

I was making no accusation that your handling of the situation creates any waste. As a matter of fact, it is just the reverse, that perhaps we are too concerned about accounting for every cent of our research dollar. We should not be quite so concerned and be prepared to—again if I might use the words—be more liberal with some of this money to insure that this kind of frustration does not exist in the scientific community.

Dr. BROWN: The grantees are given the budget freedom that you want. Once they have been given an award, they have to submit a budget which is approved and then they may rearrange things with integral guidelines within the limits of the money they get. I think there is little waste; it is just as low as it can be in the support of poor projects. I think waste, if you like to call it that, occurs in what you have been talking about, and that is the inadequate support of good people. One does not need to get science going in this country; it is going and one needs to support it adequately. If you want to call this waste, then this is where it has been occurring, at the top end of the merit scale and not the bottom, because of inadequate support.

Mr. SALTSMAN: Excuse me. I was not calling it waste, nor was I making any inference that we are wasting money. Quite the contrary, I was saying that we are being overly cautious, that we should be prepared to support our scientific research to a far greater extent than we do, and be less concerned about the specifics of the projects which they bring you. After all, it is pretty difficult to determine in advance in science whether a project is going to pan out or not.

Dr. BROWN: I was not talking about waste of money either. I was talking about waste of personnel, and insufficient support of the best personnel is very wasteful of our best talents. This is the form in which the national effort is perhaps wasted. We need more money on good horses.

Mr. SALTSMAN: Has anyone raised the question of the article which appeared in the *Globe and Mail* this morning by a professor in the University of Waterloo? I would like to direct this question to the minister which might be appropriate under vote No. 15. The Economic Council of Canada has taken some exception with the minister in regard to the way industrial research should be encouraged; in other words, the method of taxation, taxes versus grants. I was just wondering whether the minister would like to comment on that?

Mr. DRURY: I think an indication has been given that it is proposed to change the present system of tax abatement as an incentive to a system of grants. I hope that in the not too distant future legislation will be introduced to make provision for this.

Mr. SALTSMAN: Are you going to follow the general suggestions of the Economic Council in their little pamphlet? I think it was published about four or five months ago.

Mr. DRURY: The general outline will be followed.

Mr. SALTSMAN: So this is a change which has taken place within the Department.

The CHAIRMAN: Are there any further questions?

Item 15 agreed to.

The CHAIRMAN: Thank you very much, gentlemen. I might just say before we go, that Mr. Goyer asked for further information which can be provided and tabled at a later meeting.

Mr. PETERS: Mr. Chairman, I would like to follow up a question, which has been bothering me, which Mr. O'Keefe was asking. Are the new breakwaters which are being used similar to the backstops that you used for jet aircraft for noise abatement?

Dr. BALLARD: No.

The CHAIRMAN: Thank you very much. I would like to thank the minister and the officials for coming here and being with us.

Mr. DRURY: Mr. Chairman, before I go, there was some expression of interest in what the National Research Council was doing. This year the National Research Council celebrates its fiftieth year of operation, and they are preparing suitable occasions in the fall. I would like, on behalf of the president, to issue an invitation to you and your committee to come out and do an organized tour of certainly the Montreal Road establishment and, if time permits, also the Aeronautical Research Establishment out at Uplands. I hope this can be accepted.

The CHAIRMAN: I think the committee is very glad to have this invitation, and I am sure they will like to take you up on that. If you want to invite us to go to Halifax and look at your facilities down there, we will consider that too.

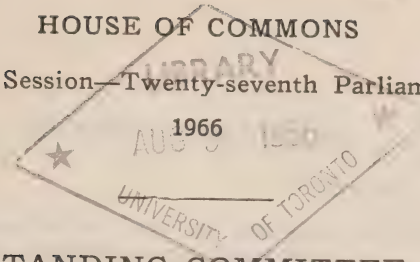
Mr. DRURY: We will be glad to receive you at the door.

The CHAIRMAN: I might remind you that there is a meeting tomorrow at 9.30 o'clock. Mr. Pepin will be here to return to Item No. 1, and to conclude the estimates of the Department of Mines and Technical Surveys less the Energy Board.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966



STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. RICHARD CASHIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

TUESDAY, JUNE 28, 1966

Main Estimates (1966-67) of the
Department of Mines and Technical Surveys

WITNESS:

Hon. J.-L. Pepin, Minister of Mines and Technical Surveys.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24711—1

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Richard Cashin

Vice-Chairman: Mr. Ovide Laflamme

and

Mr. Addison,
Mr. Andras,
Mr. Beaulieu,
Mr. Bower,
Mr. Davis,
Mr. Faulkner,
Mr. Forest,
Mr. Fulton,
Mr. Goyer,
Mr. Grafftey,
Mr. Hales,
Mr. Hopkins,
Mr. Langlois (*Chicoutimi*),
Mr. Latulippe,
Mr. Legault,
Mr. McCutcheon,
Mr. O'Keefe,
Mr. Peters,
Mr. Reid,
Mr. Saltsman,
Mr. Scott (*Victoria (Ont.)*),
Mr. Sherman—(24).

(Quorum 9)

R. V. Virr,
Clerk of the Committee.

REPORTS TO THE HOUSE

WEDNESDAY, June 29, 1966.

The Standing Committee on Industry, Research and Energy Development has the honour to present its

THIRD REPORT

Pursuant to its Order of Reference of Tuesday, March 22, 1966, the Committee had before it for consideration, the items listed in the Main Estimates for 1966-67, relating to the Department of Mines and Technical Surveys.

Your Committee has considered the following items of the Main Estimates 1966-67 of the Department of Mines and Technical Surveys: Nos. 1, 5, 10, 15, 20, 25, 30, 35, 40, 45, 50, 55, 60, 65, 70, 75, 80, 85, 100, and L-40. The full consideration of item 110 relating to the National Energy Board has been deferred. The foregoing items, less item 110 are commended to the House for approval.

A copy of the relevant Minutes of Proceedings and Evidence (*Issues No. 1 to No. 5*) is appended.

Respectfully submitted,

RICHARD CASHIN,
Chairman.

WEDNESDAY, June 29, 1966.

The Standing Committee on Industry, Research and Energy Development has the honour to present its

FOURTH REPORT

Pursuant to its Order of Reference of Friday, June 3, 1966, the Committee had before it for consideration the items listed in the Main Estimates for 1966-67 relating to the National Research Council including the Medical Research Council.

Your Committee has considered the Main Estimates, 1966-67 of the National Research Council including the Medical Research Council namely: items 1, 5, 10, 15 and commends them to the House for approval.

Respectfully submitted,

RICHARD CASHIN,
Chairman.

24711—1½

MINUTES OF PROCEEDINGS

TUESDAY, June 28, 1966.
(11)

The Standing Committee on Industry, Research and Energy Development met this day at 9.45 o'clock a.m., the Chairman, Mr. Cashin, presiding.

Members present: Messrs. Andras, Bower, Cashin, Davis, Faulkner, Forest, Goyer, Hopkins, McCutcheon, Peters, Reid, Saltsman (12).

Also present: Mr. Aiken, M.P.

In attendance: Hon. J.-L. Pepin, Minister of Mines and Technical Surveys and other Departmental officials.

The Chairman reminded the members that the Hon. J.-L. Pepin had made an opening statement in respect to item 1 of the Department of Mines and Technical Surveys estimates at the meeting of Tuesday, April 5, 1966 and that the item had been allowed to stand.

The Chairman then called item 1, Departmental Administration, and invited the members to question the Minister. And the questioning of the Minister being completed, item 1 was carried.

Item 5 was called and carried.

The Committee unanimously agreed that the main estimates of the Department of Mines and Technical Surveys and of the National Research Council including the Medical Research Council be approved and commended to the House.

At 11.05 o'clock a.m., the meeting adjourned to the call of the Chair.

R. V. Virr,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

TUESDAY, June 28, 1966.

The CHAIRMAN: Gentlemen, I think that we can now commence with our questionning today of Mr. Pepin who is with us. We have completed our consideration of the individual votes under the Department of Mines and Technical Surveys. Today we will take up the administration votes, numbers 1 and 5.

You will recall that last week there was some discussion about the procedure to be followed and at that time we had a couple of meetings of the steering committee and we were in consultation with the House leader and the Minister responsible and it was agreed upon in the steering committee that today we would proceed and hopefully try and deal finally with Item 1 and conclude our questioning of the Minister, but that we would stand over Vote 110, the vote dealing with the Energy Board until the fall, at which time we would also be taking up the Area Development Agency.

I think it would be in order now, as the Minister has already made his statement and we have had questions of the various witnesses, to commence again our questioning of the Minister.

Hon. Jean-Luc PEPIN (*Minister of Mines and Technical Surveys*): May I first, Mr. Chairman, thank the members of the Committee for the good work they have done. I was present at the first meeting. I read the reports of your other meetings. I was here the time before last for most of the meeting and I was quite impressed by the good work you were doing on that occasion, and by the interest you have shown in all aspects of the activities of the department. I thank you very much for all that.

The CHAIRMAN: Thank you very much, Mr. Pepin.

Gentlemen, who would like to take the first bite of the apple?

Mr. SALTSMAN: Mr. Pepin, my question concerns the problem of air and water pollution. We know that this is an urgent problem and one that faces difficulties because of jurisdiction and matters of that type. I do not want to go into that. What I do want to go into is to what extent your department is making plans for a large scale approach to pollution problems should the economy take a downturn? Now, we know, at the present time, that construction, especially public construction, has been curtailed; a number of reasons are advanced for this; that interest rates are high, labour is in short supply in certain fields. Some of the members of your Department have indicated that there is a lack of professional help in certain areas in terms of proceeding with projects, but this might be a very good time to start considering what we are going to do, not only in terms of correcting pollution generally—apparently, all

of us are in agreement that we have to have an attack on the problems of pollution—but also to use this as an instrument of providing economic activity at the right moment. As you are aware, certain countries maintain a sort of portfolio of deferred projects that they engineer and are ready to put into operation at the first sign of a downturn, or at the first opportunity when conditions are propitious.

Now, have you done some planning in this area and can you indicate what your intentions are in this regard?

Mr. PEPIN: I do not intend to dodge the question but I think the first thing to say is that it is hypothetical in the first place and, secondly, that it might be more properly answered by the Minister of Finance.

Nevertheless, I can see your point. In case of a slowing down economic period, you want to know what the department has in store. I must say, first of all, that the department does not exist legally as energy, mines and resources yet, but the full responsibility for water, and consequently for water pollution, is something that has been given to us only *de facto* in recent months, four or five months at the utmost. So it might be a bit too much to expect from us, as a department, great plans for the future at this time. We are going to do as much research as necessary and as possible. We are going to ask for more and more money from the Treasury Board in order to do it. There is no doubt that the awareness of water pollution which has developed in Canada, to which you have contributed by the meetings held here during the present session, will help us in our dealings with Treasury Board. So, on the research side we intend to go ahead full steam.

With respect to remedial measures against water pollution, I think you have been told already what the federal government is doing in terms of contributing to the construction of sewage plants through Central Mortgage and Housing, and the winter works program and in terms of tax reductions on antipollution equipment. I do not know if you have been told that the Atlantic Development Board is more deeply engaged still than C.M.H.C. in remedial measures in a certain area of New Brunswick in connection with the Mactaquac power development. The Atlantic Development Board will be spending $2 million in grants to help industries directly in fighting pollution.

We do not know about the future. It may be necessary for the federal government to do more than it is presently doing in positive remedial measures and, personally, I give a lot of importance, and I know you do too, to the conference on pollution—water, land and air pollution—which is to take place in Montreal at the end of October and the beginning of November. The research papers are already coming in. The meeting itself should be a very wonderful occasion for participants and the public at large to assess what the situation is in Canada now with respect to pollution and I would hope that a consensus will develop at that meeting on what should be done, to be followed by decisions at the municipal, provincial and federal levels. So, this might be what you have in mind. In case of a slowing down of the economy, it might be necessary and useful for the federal government to do more in this fight against pollution, and in so doing contribute to the resurgence of the economy.

Mr. SALTSMAN: Mr. Pepin, my concern over this question is the fact that if a downturn in the economy occurs and things have to be done very quickly, the only way these things can be done is that the preliminary investigation, the research, the engineering and the planning are already accomplished. I know that even having that done there are still some problems; revisions may be necessary during the planning programs and there is still a time lag before you can translate an engineering program to a construction job. But the importance of this question, I think, is fairly evident. We are hoping that such a downturn does not occur but the experience of our economic history indicates that it is possible for this sort of thing to happen. Every government department, not only this department, should be prepared to have plans that they can give to the Minister of Finance so that the Minister of Finance will not take the position that I would dearly love to spend money to get the economy going, but on what will we spend it? We have to do engineering, and if these things are not ready, it will take months or years in order to do this.

It is a concern about departure from past practices where we have been caught in these crises unprepared. Although it is hypothetical, as you say, it may not be hypothetical in the light of our history and we should be preparing at this moment for this kind of an eventuality and be ready if it does happen, and your Department could do a great deal.

Mr. PEPIN: I quite agree with you. I may be a Liberal and you a Socialist but I believe, also, in the value of planning, of anticipating on events. You have been told by officers of my Department how difficult it is to plan in this area. First of all, and this has been repeated so many times under the constitution, water is essentially a provincial responsibility. I do not think anybody disagrees with that, and consequently all the planning that we can do has to take that fact into consideration. We obviously are not the masters of provincial decisions. That is no excuse for not planning at all, but I think it is an explanation of the necessity for being quite flexible in our planning. The federal activity in recent years, and even in recent months, I think, should be satisfying to most members of the Committee.

Look at what we are doing on the Nelson river; and on the northern Ontario rivers; look at what is going to be done on the Nelson-Saskatchewan; and in the Bay of Fundy. All these things, in my view, are quite a clear indication that the federal government is not idle. Even if it is not possible to put in exact order, on paper, one, two, three, four, five or six things that we are going to do in ten years to come, nevertheless these gentlemen, who are sitting on my right, have a fairly clear view of what is needed and they are willing, and flexible on decisions that will be taken next month or next year.

I really think that while accepting the necessity of more planning and while quite eager to orient the Department in that direction, we must all bear in mind the difficulties of such planning.

Mr. SALTSMAN: Accepting the difficulties, are you prepared to approach the provinces with this kind of program and indicate the need for long range planning, both in terms of solving this problem and in terms of helping the economic climate in the country and seeing if you cannot work out some method between yourself and the provinces for creating a portfolio of projects,

in conjunction with the provinces, because again our experience has been that in an economic recession in the country, it is the federal government that can be most effective in terms of taking corrective action. In order to take this kind of corrective action, it has to have projects they can put into the works almost immediately, or as quickly as possible, and any time advance that you can get on the planning and engineering aspect of such a program, would considerably ensure the success of getting off the ground.

Mr. PEPIN: There is already quite a number of continuous programs in the different branches of Mines and Technical Surveys, in the geological, the geographical and other branches. One of the main purposes of the creation of the new department is to integrate more of the responsibilities of the federal government in matters of resources and to put together an instrument that would be co-operating with the provinces in a more efficient way.

● 10.00 a.m.)

In the last months, we have been particularly active in our relations with the government of Ontario because we all agreed that there was something to be done on a rush basis in the Great Lakes. We have done our best to improve our lines of communication, both at the official and at the political levels, with the Ontario government and with the United States government in order to create an efficient instrument of work against pollution in the Lakes. It is easier for us to intervene in the Great Lakes because the federal jurisdiction is much clearer there. The Great Lakes have indeed become, in recent weeks, our laboratory.

I have tried to strengthen our relations with Quebec; I met with the minister there and presented him and his officials with a list of projects that could be implemented jointly by Ottawa and Quebec—quite a substantial list of things to be done in the spirit of what you indicate, Mr. Saltsman—but he played a trick on me; he is not the minister anymore! I will have to start all over again.

Mr. SALTSMAN: If he had listened to you he might still be the minister. Might I ask a supplemental? Have you made this same offer to Ontario?

Mr. PEPIN: Of what?

Mr. SALTSMAN: The same one you offered to Quebec.

Mr. PEPIN: I do not think I am revealing any military secrets when I say that it is easier to enter into joint action with Ontario than it is with Quebec these days. What I was offering Quebec already exists, in most cases anyway, between Ottawa and Toronto. I have particularly in mind the inquiry on the water supply of northern rivers. Ontario has agreed to do these studies jointly with the federal government and you may know that Quebec has not.

Mr. MCCUTCHEON: My point, of course, being the fact that there has not been, as we were told in Committee, any action between the federal government and the province in flood control and conservation measures and no major endeavours for some little time. It seems to me that somebody is dragging his anchor on this thing because there must be work in the province of Ontario to be done. Who is it? Is it at Queen's Park or is it here? I do not care; I just would like to see improvements made in that province.

Mr. PEPIN: I was here in the back row when you were talking about the Canada Water Conservation Act and I felt at the time that there was a bit of a misunderstanding between you and Mr. Patterson at that particular moment.

First of all, it has to be said and Mr. Patterson said it, that the Canada Water Conservation Act comes in only for major projects. The fact that Ontario or Manitoba has not used the act in recent weeks or even years—or not at all—does not imply that there is no conservation work going on in both provinces. It is just that there are, apparently, no major projects to submit.

The second point that did not come out clearly enough was the fact that these agreements, signed with Ontario around 1961, take a lot of time to materialize. They are long range projects; they may take ten years to be fully implemented. So I do not think too much attention should be given to the date of birth of these projects. More attention might be given to the amounts of money being spent each year. Jack Davis asked a written question on orders of the day on this particular point, with respect to Ontario and it will be answered tomorrow, I believe.

One thing that was not sufficiently mentioned either was that British Columbia has been very active recently under this Canada Water Conservation Act. We have two projects, two agreements; one in Alberni, which was signed in 1966, if my memory is good, and one in north and west Vancouver, also signed in 1966. We have two or three other projects with British Columbia, being discussed now: one of particular interest and concern to Jack Davis, the Squamish river project; another one is the Hastings Creek project. I may say also that Saskatchewan has also applied for an agreement with the federal government for a particular project. I recently wrote to the Quebec government to remind them of the existence of that legislation and to inform them that there was one particular project, the Granby project, in which the federal member is very interested, that would be considered for acceptance.

Mr. McCutcheon: Mr. Pepin, are you telling me that the province of Ontario has not taken any initiative. Is this what you are telling me?

Mr. Pepin: No. I am not saying that at all. I am just saying that they are active now on agreements signed four or five years ago. I presume that Ontario will come up with other projects when the present programs are completed.

Mr. McCutcheon: This is the only thing I want to know. Is there active consideration of projects for the province of Ontario at the moment?

Mr. Pepin: To tell you the whole truth on this we have difficulties on projects already existing. For example, Ontario is going into these conservation projects not only from the point of view of water conservation but also from the point of view of recreation. Consequently, in some instances, the provincial authorities were purchasing more land for recreation purposes than was necessary for conservation purposes. We have some difficulties also with respect to increases in construction costs on the agreements signed five or six years ago. Should the federal authority pay 37½ per cent of increases? It is a subject of conversation between ourselves and Ontario at this moment. We have to apply the law, both the letter and the spirit. The Canada Water Conservation Act deliberately excludes recreation.

But again I do not think that you should conclude that just because there have been no agreements signed with Ontario for the past four or five years that there is no activity.

The CHAIRMAN: Just a moment, Mr. Faulkner, do you want to ask a supplementary. Mr. McCutcheon wandered a little afield from his supplementary. I do not think there was any objection to that, Mr. McCutcheon. I am just saying that we seem to have strayed from the line of questioning that Mr. Saltsman had. If you have a very brief supplementary, Mr. Faulkner, go ahead.

Mr. FAULKNER: I was wondering if the Minister was considering an amendment to the Water Conservation Act to include the provision of recreation. I think what Ontario is doing there is a very sensible move on their part and I was wondering if—

Mr. PEPIN: Like yourself, Mr. Faulkner, I believe very much both in provincial autonomy and in recreation. Recreation is considered to be a provincial responsibility and I do not think we stand to gain too much from crossing responsibilities, and this is in accordance with your own expressed philosophy, when this can be avoided. I think it can be avoided in this instance.

Mr. SALTSMAN: Mr. Chairman, I would like to ask the Minister if it would not really enhance provincial autonomy, to which we are always so dedicated, if we permitted the provinces to make their valued judgments in these fields. In other words, to decide to what extent they want to include recreational facilities with their conservation programs. The federal government could do a great deal in recognizing the right of the provinces to make these valued judgments by saying, fine, we will go along with you. This is really, I think, part of the question that Mr. Faulkner was asking. Are we being unduly rigid with the provinces in saying that if you come up to such and such a standard or if you behave in such and such a way, then we are prepared to support you, even though the values may be different between provinces.

Mr. PEPIN: We do respect the provincial initiative in this field. It is just that we do not share in the payment for the recreational aspect of the project!

Mr. SALTSMAN: Then you do not respect—

Mr. PEPIN: Yes, we do.

Mr. SALTSMAN: I think it is easy enough to respect when you are not sharing the cost.

Mr. PEPIN: The provincial government is the one that decides what they are going to do with a certain river or creek at a certain time. They plan accordingly and they say to us that half of the project is for conservation purposes. So the federal government shares 37½ on half of the project. I do not think this hampers, in any way, provincial initiative.

Mr. SALTSMAN: It does not hamper them but it does not help them. Where it would be of considerable help if the federal government did consider an amendment that would include recreational purposes as a valid ground for assistance. Are you giving any consideration to this inclusion?

Mr. PEPIN: Again, I just happen to believe that the provincial governments are quite as intelligent as we are; I would not say more intelligent, but they are quite as intelligent, quite as responsible as we are, and if they feel that conservation should be tackled along with recreation or that recreation should be tackled along with conservation, this is their decision. If their people agree

with them they will be re-elected and if they do not, they will be defeated. This is their own responsibility.

Mind you, Mr. Saltsman, this is only one aspect of the work of my Department. We are in water from the point of view of conservation but we are also in water from the point of view of power also. We are in water from the point of view of supply; from the point of view of pollution. I do not think that, on the basis of conservation of your own scheme, you want this Department to be involved in all sorts of projects, some of them very limited in scope, when the provinces can do these things probably better because they are closer to the ground.

Mr. SALTSMAN: I do not think there is any question about whether the provinces are going to do them or not. I think we all agree that the provinces have the responsibility to do them but what we are talking about is whether the federal government will share in the cost of these projects that the provinces feel are desirable. We are getting back to the question of whether you are prepared to consider an amendment to include recreation as grounds for making grants?

Mr. PEPIN: We would have to probe in the discussion, at this point, to get involved in a discussion on tax sharing and cost sharing and what not. My views are quite simple, and I think valid: the provinces have the responsibility; they are responsible—they should meet the expenses.

Mr. PETERS: May I ask a supplementary question? Is there not a responsibility, however, on the federal government when it instigates a program, whether it is a joint program or otherwise, to provide a certain amount of leadership in the field they have chosen the legislation to cover? If we are going to have legislation, federally, to implement a joint program, then should the responsibility not come from the federal government as to what type of project is undertaken and if the provinces want to co-operate, they are then free to do so. It seems to me that in many of these shared programs that we have, we will share the cost but we do not share the responsibility. Conservation is a federal matter and obviously comes into immediate conflict with provincial rights but the federal government, obviously, has not taken a leadership position. We make the arrangements for cost sharing but we quite often lack the leadership that would enable the provinces to really know what we intended to do and what our ambition was in the particular field. Is this not true and can something not be done about it?

Mr. PEPIN: There is probably a great amount of truth in what you are saying. My impression, after four of five months in the Department, is that leadership is tied to the number of people you can send into the battle; right? My impression is that we have been so limited in terms of manpower that we have been, more or less, fully occupied just answering, just being on the receiving end of initiatives that have come from the provinces, of course I am only talking now about water conservation.

I was interested in reading the reports on the committee's work to see how interested you were in the recruitment aspect of the Department's activities. We have a big problem there. I think that recently I announced that we needed 258 people. It gives you an idea of what would be needed if we were to do what you recommend we should.

Mr. PETERS: Are these 258 people only for this aspect of conservation?

Mr. PEPIN: No, for the whole Department.

Mr. SALTSMAN: This is my final question along the original line. If a recession were to occur and we had to take some fast action, do you currently have plans that could be put into the mill quickly? In other words, do you have projects that the Minister of Finance could implement?

Mr. PEPIN: In the field of water? I think that almost every river in Canada has been surveyed and investigated, from the Yukon to the Saint John. There are objectives there that could be activated, I would think. Instead of taking three years to do the Nelson-Saskatchewan investigation, maybe we would do it in two; instead of taking five years to do the Bay of Fundy investigation, we might be able to do it in three.

Mr. SALTSMAN: I am not talking about years; I am talking about weeks or months because this is the only effective way of tackling the problem.

Mr. PEPIN: I would say offhand, because I must say your question is puzzling to me, that if I were the Minister of Finance, I would not look too much to this Department for action that had to be taken tomorrow. Gauging rivers, investigating the water supply and needs in a province or in a region of Canada is a fairly slow process. I think you have been informed about the time it takes to asses a full situation.

The general point you are making is well taken by me and next year, at the same time and in the same place, ask it again and I hope to be in a position to give you a better reply.

Mr. FAULKNER: I just have two quick questions of the Minister. One of the things that I find disturbing is the amount of speculation you encounter in the province of Ontario that Lake Erie is dead, beyond the pale and nothing can be done about it. I was wondering if the Minister would just like to make a statement to refute these rumours. In Toronto over the week end, on three occasions people asked me if it was true that Lake Erie was dead. What is the position of Lake Erie and are our appropriations sufficient to redeem that lake?

Mr. PEPIN: This is a technical question and Dr. Prince or Dr. Cameron would be in a better position to answer that than I am. I have read the interim report of the International Joint Commission. Did they use the word "dead"? They certainly used the word "in a bad shape". The other day at the meeting with Mr. Udall, the secretary of Interior, USA, the impression I gathered was that they feel it is not dead; that with good artificial respiration it could be brought back to life. This is the general objective. The further objective is to prevent other lakes from getting into the state of lake Erie. This is why this summer action is going to be concentrated on Lake Ontario.

I think I am right in saying that the possibility of salvaging Lake Erie is closely tied to the results of research that is going on now on pollutants and the methods of de-pollution.

The CHAIRMAN: May I say this at this point? Mr. McCutcheon was questioning Dr. Prince in a little more detail on this very point so I believe that Dr. Prince's reply will be contained in the proceedings and I think covers the matter you raised.

Mr. FAULKNER: May I raise a supplemental at this point in connection with this pollution? Since Dr. Prince spoke to us, I had occasion to read a press report emanating from a distinguished group of United States governors of states, in which they say they are going to have their pollution into the lower Great Lakes cleared up by 1970. My first thought on reading it was, is this factual and what plans do we have to keep pace. If they are going at this accelerated rate, it seems to me we have to do more than just go down and study. We have to start doing some pretty active enforcement.

Mr. PEPIN: First of all, it appears that our situation is not as bad as theirs. If I have read well, 80 per cent of our waters going down to the Great Lakes receive secondary treatment as opposed to 50 per cent on their side. Last week we had a visit here of the Secretary of the Interior Udall who gave us a fairly good idea of what he had in mind and this is possibly what is referred to in the article from which you are quoting.

They are creating a water commission; they have passed legislation and they are now asking all the states to let them know what they have with respect to water standards; they are going to collect all this information and they are going to come up, a year from now, with legislation on water standards. Mr. Udall, himself, is a very energetic gentleman and he is making full use of his qualities of leadership. One of the things he told me he had done at Cleveland or Buffalo was that he had said in public that next year he would have a list indicating the five dirtiest cities in the United States. This, of course, would put them to great shame and damage their touristic attractiveness.

I think his job is a bit easier than mine, in the sense that the American constitution may not be different from ours with respect to water as a resource but the general political climate at the moment there allows Mr. Udall to use the emergency power much more easily than we would be allowed to do in Canada at this moment.

Mr. FAULKNER: You did not answer my question.

Mr. PEPIN: You have to operate within the constitutional and political framework in which you live.

Mr. FAULKNER: Mr. Pepin, you might consider trying to revive the residual powers clause. This might be the *cause célèbre*. It might be necessary to bring it back.

Mr. PEPIN: May I interrupt? When we underline the difficulties created by the federal system in Canada with respect to action in matters like those about which we are talking, we should, if we have time, underline also the advantages of the federal system. Maybe it is normal for us here as federal politicians to get impatient as a first reaction, but I think we should control that first reaction and bear in mind the advantages of the system we have. I believe that if the Department and the Minister of Energy, Mines and Resources are as active in the coming months and years as they should be—those who come after me, too—and I hope they will be of the same party, will also be very very active—I think that we can still do a lot within the federal framework to improve on the resource situation as it now exists.

The CHAIRMAN: I hope this was not a Senate appointment in the offing to which you were referring, Mr. Pepin.

Mr. McCUTCHEON: Mr. Pepin, if I might just make a brief comment here. You were mentioning patience on this thing. Five or six years ago I talked to a chief engineer on one of the lake boats who told me that, according to his instructions, no water was to be taken on that ship after it had passed a point west of Pelee Island in Lake Erie because the contamination in that water was so bad that it would damage their boilers. I think we are being patient in getting that cleared up. They knew about it five or six years ago.

Mr. PEPIN: But at the same time, Mr. McCutcheon, you well know that politicians can be only so many months or so many years ahead of public opinion. Public opinion in Canada has really arisen to these matters of pollution and this is why it is possible to do now some of the things that would have not been understood then. If you operate in a climate of indifference, you can do one fifth only of what you can do if you operate in a climate of concern and interest. From that point of view, the awareness of public opinion at this time, is of very great help to governments.

This applies not only to the field of water pollution, but also to other political activity. There was a time when people resented government getting into the production of hydro electricity, for example.

The CHAIRMAN: There was a time when they objected to the post office. I suppose.

Mr. PEPIN: If I may interrupt again. I read recently that there was a time when Canadians objected to the export of horses to the United States at the time of the war of secession because this was an export of energy that Canada could well do with.

● (10.30 a.m.)

Mr. FAULKNER: My question on Lake Erie was leading up to this point about appropriation. I find it very difficult to assess whether the level of appropriation is consistent with the magnitude of the problem. Is the Minister perfectly satisfied that the level of appropriation in this year's estimates is consistent with the magnitude of the problem?

Mr. PEPIN: You are talking essentially of research now, because if you are talking about remedial measures, it is another story.

From the point of view of research, it is not enough to say we are going to operate on the Great Lakes. You need ships; you need laboratories; you need personnel. We are working also with other federal departments, with the provincial government of Ontario, with the Great Lakes Institute. My department is taking the necessary measures to develop the personnel to build the ships and to build the labs. For example, some of my officials have been in the area recently in order to locate the best place to put up a lab. This is very vital if we are going to step up the rythm of our research programme.

Mr. FAULKNER: Are you satisfied with the amount of money that is being provided to your Department?

Mr. PEPIN: I asked that question also, because it is an intelligent one, and I was told that we could not do more at this time. I will keep asking this question every month during the next years.

Mr. FAULKNER: I have a small question concerning technical information from outside this country, particularly in respect of problems like algae and aquatic weeds. Is information of this character available for places like my area, Peterborough? We have a group of citizens like the Otonabee Region Conservation Authority and private citizens who are interested in the problem of algae and they are working on solutions to the problem. I hope we will have a proposition to present to your Department in time, but do we have information on comparable studies being done through your Department in other countries, particularly the United States?

Mr. PEPIN: One of the members of the Committee underlined the amount of money that was spent by members of my Department on transportation and one of the answers that was given to him was that members of the Department travel extensively in Canada and outside in their work and also in order to attend professional meetings. I am told that through these professional meetings they are kept in close touch with what is happening in the United States and Europe.

Mr. FAULKNER: Would this information be available to myself or to any member?

Mr. PEPIN: I would think so. With respect to the United States, the lines of communication between officials are very good but one of the purposes of the meeting with Mr. Udall was to improve on these lines still further and also the political lives. I happen to think as you do, that if politicians as heads of departments, get together more regularly, it facilitates communication at the official level

(Translation)

Mr. GOYER: To stay with this matter of pollution, a moment ago you spoke about the development of the Atlantic Region to stop pollution in certain Atlantic areas, does that mean that there would be a dual responsibility between your Department and the Atlantic Development Board?

Mr. PEPIN: The answer is quite simple. First, it is not possible to group everything under a same department because there are reasons that justify, for instance, the intervention in this field of pollution of the Health and Welfare department which also has a division on pollution of air, water and land. It is quite normal that they should, because of their special interest. Everything cannot be grouped in a single department. There would be disadvantages to this because certain qualified information would not be available otherwise. It should be mentioned also that it was because everyone regretted the lack of co-operation between the various departments regarding water pollution that the Department of Energy, Mines and Resources was created. One of the main objectives of setting up this Department was to foster that kind of co-operation. With regard to the diversity, the lack of efficiency that would have existed in the past, this Department is being set up to remedy that and you should ask me next year what has been done this year to encourage co-operation between the different departments. This collaboration already exists, a number of intra-departmental committees have already been set up. Officials from different departments know each other. A little while ago, a special committee for water

pollution was set up under Dr. Van Seeburg who was deputy minister of Mines and Technical Surveys. That committee answers to the Privy Council and to my Department. It will be a centre for co-operation on the federal level on these matters.

Mr. GOYER: On this need for co-operation on the federal level between the various departments, you spoke of the need for co-operation between the various levels of government. Naturally one must not take provincial governments for municipal ones. On the level of co-operation between the various levels of government have you found this co-operation with the province of Quebec in which just about half your Department dealt with the St. Lawrence problem?

Mr. PEPIN: No. I already said that I saw Mr. Binette, the Minister of Natural Resources in Quebec in order to reinforce this co-operation but it was three weeks only before the events of the month of June.

Mr. GOYER: Could the present atmosphere be polluted a little bit by dealing with steel and coal? In future, according to what the chairman of the Coal Board told us with regard to the other sources of energy, coal production will be going down percentagewise in Canada but it will be going up in volume. Secondly we were told that while this is not perfectly clear, it would be possible to read the conclusion from what we have heard that Canadian coal costs more than American coal. With this subvention it would seem that more assistance is being given to little villages than to the worker in the coal industry. Further, the amount allocated to the Coal Board, considering the fact that this is not and will never be an economic proposition, is quite disproportionate. Such being the case does the Government foresee any change in policy in the very near future?

Mr. PEPIN: At the present time a lot is being said about this Donald report which the Minister of Finance, Mr. Sharp, had received and which deals with the situation of the coal mines in Nova Scotia. All you have said is true for several buyers of coal. I do not know the situation for the CPR, but several coal customers would like to change to another source of energy, but quite frequently they do not do so because it would not be patriotic to do so. In the case of military bases or government buildings they stay on coal, to help that Maritime industry, whereas in many cases, they would like to use oil or some other source. You feel that coal in a modern economy, becomes less and less important. I also think that this is true and not only in Canada but also in Germany, in England and elsewhere. You have in the coal industry tragic situations which are not exclusive to Canada. So the problem of coal from my point of view, must not be studied from the strictly economic point of view, it is a social and political problem as well. If in the study that is being carried out of the situation in Nova Scotia at the present time economic considerations only were taken into consideration the mines would probably be closed immediately. Remember that 6,500 miners are working there, that they are members of communities, that they need revenue to live. In the coming weeks we shall try to set up an intelligent policy for coal in Nova Scotia but it will not be entirely rational because we have to take into account factors outside the strictly economic field.

Mr. GOYER: I quite agree but with regard to the miners, you cannot keep them in mines that are not profitable. I think that is a dreadful situation—of course it is up to the officers of the Coal Board to deal with these matters. If the percentage is decreasing and the volume is increasing, it is because of patriotic considerations, of a false economic barrier in other words, but on the other hand, how is it that the amounts allocated to the Coal Board are increasing instead of decreasing, are they being diverted to other industries by the Atlantic Development Board?

Mr. PEPIN: That is precisely what the new policy will be aimed at. The fact is that some private industrial coal customers are abandoning coal and turning to oil. It is a dramatic situation. I could make it more dramatic by giving you statistics on the subsidy per ton or the importance of this subvention in terms of miners' salaries. If the amount of these subventions increases continuously, it is because the maximum subvention provided through the Dominion Coal Board is increasing all the time, it is at $9.50 I think. Mr. Buck is my specialist here. . . .

(*English*)

What is the maximum subvention in Nova Scotia, $10? What is the difference between the intraprovincial and external subvention?

Mr. BUCK: "Within the Maritimes it is $8.50". "For Ontario and Quebec it is $10.50".

Mr. PEPIN: In New Brunswick, it is slightly lower than that. These are the maximum subventions. So there you are; you give a subvention of $10.50 on a ton of coal that may cost you $11. The result of this is that the federal government now is subsidizing the industry at a considerable cost. In Nova Scotia alone this year, the federal government will be spending about $22 million. If we keep on, it will cost you hundreds of millions of dollars until production comes to an end. Are you willing to do that in order to protect the community?

The whole question is this: What industry can you put instead of that one in Nova Scotia? That is the question, is it not? Efforts are directed now, and they are going to be more and more important, at finding ways and means by which other industries can be attracted to Nova Scotia, and to Cape Breton in particular. This is going to be a difficult task, but there is hope, and if we can manage that, the amounts of money that we might save on coal subventions should be invested locally and should be used to attract industries in these areas. All departments of the federal government, in particular Manpower and Industry, are at the moment giving a lot of their attention to this question.

Mr. SALTSMAN: How is your Department going about making this kind of an analysis in order to replace, perhaps, coal mining with some other industrial activity?

Mr. PEPIN: First of all, we have the Donald report; we now have it and we are studying it. As you know, there is an interdepartmental committee on coal in which many departments of the federal government cooperate. The Prime Minister has created for the purpose of this Nova Scotia situation, a special committee of cabinet and we are now doing our utmost in order to bring

together all the available information and all the available instruments in order to help in the solution of this problem.

Let me give you an example. This can include ARDA, the Area Development Agency of the Department of Industry as well as Central Mortgage and Housing, because we have to think of all aspects of industrial development; road building; tourism; rehabilitation of manpower and so on. This is what we are collecting together now.

Mr. SALTSMAN: But do you have any one specifically responsible to look after this problem? There is always the danger, when six or seven different departments are given a problem on top of all the other problems they have, that with the best of intentions they may be looking at it very casually. In other words, have you set up a task force with somebody in charge from the government to say to them: We have to replace or we want to replace this particular activity with another type of activity and now go to work on it and come up with an answer.

Mr. PEPIN: You know as well as I do that you will not get this result by simply putting a name on a piece of paper. You know as well as I do that in situations of that kind, one or two or three persons decide that they are responsible. This is what you call leadership, is it not? They take the responsibility for what is to be done. I would say, in this case, that I have taken a lot of the responsibility.

Mr. SALTSMAN: You have taken specific responsibility to try and correct this problem and you have some people under you assigned to this specific problem to provide you with answers

Mr. PEPIN: They are not assigned to that exclusively though Mr. Buck may feel at this time that he has been working on this almost exclusively for so many months. But it is a group of people, of officials from the different departments, who come together in this interdepartmental committee.

Mr. SALTSMAN: How soon do you think you might have an answer to this problem?

Mr. PEPIN: As soon as possible. As far as I am concerned, it will be very, very soon.

Mr. SALTSMAN: Will you give or are you considering, amongst the other approaches that you may be taking, the establishment of a crown corporation, should your ability to attract private industry not succeed? In other words, if you cannot attract private industry into those areas, if you cannot rely on the automatic forces of economic activity to accomplish your objective, will you give consideration to the establishment of a crown corporation based on the economics of that particular region?

Mr. PEPIN: It has often been said in the press that Dosco does not want to operate the mines any more. If Dosco does not want to; if it is true and I am not here to deny it, then somebody will have to take over. As it is not a very profitable enterprise, I do not think that we will have too many takers. It may very well be that the federal government, alone or jointly with the provincial government in Nova Scotia, might have to take over. This is what we are settling now and I do not think we will be stopped by any fear of appearing to

be too leftist or too rightist, or this sort of thing. It is a very difficult situation and somebody has to do something about it because if we keep going as of now, we will have the same problem in 15 years from now and we will have paid $400 million plus to keep the problem going.

The CHAIRMAN: Are there any further questions?

Mr. PETERS: I have a technical one, Mr. Chairman, on this matter of coal. Has your department given any consideration to using the solution that they are using in parts of Germany where you set up the coal mine without miners actually as a furnace and you burn the coal in the mine and use the gas that is created to provide the energy rather than the coal.

Mr. PEPIN: I have read recently that this was considered not to be very efficient at least as far as Nova Scotia is concerned.

Mr. BUCK: This type of thing is not being done actively anywhere in the world.

The CHAIRMAN: Are there any further questions of the Minister?

Mr. AIKEN: Mr. Chairman, preliminary to asking questions may I ask the Committee do we plant to adjourn at 11? I have a number of questions here?

The CHAIRMAN: Well, Mr. Aiken, if you have a number of questions to ask of the Minister, I would put it to the Committee that we could sit a little past 11 to accommodate you, because I have no other questioners who have indicated a desire to ask questions. I think therefore, if it is the wish of the Committee to do so, that we could sit past 11 so that we could finish this matter off.

Mr. AIKEN: Do you expect to have the Minister before us on Thursday?

The CHAIRMAN: I would think that if we sat a little past 11 it would not be necessary to have the Minister before us on Thursday.

Mr. AIKEN: Mr. Chairman, I know it was Mr. Fulton's hope but he was unable to be here this morning. I had some questions that I wanted to ask.

The CHAIRMAN: Well, Mr. Aiken, I am in the Committee's hands on this matter, but I must say that last week, we did have a meeting on Thursday at which I put the proposition to the Committee at that time that we sit on Monday morning and Monday afternoon. Mr. Fulton indicated in the Committee at that time, he would not be able to sit on Monday morning and he was not sure about Monday afternoon. At that time I then rescheduled the Committee to accommodate Mr. Fulton. I asked the National Research Council to come on Monday afternoon and asked the Minister of Mines and Technical Surveys to change from Monday morning to Tuesday with the specific purpose of accommodating those members who had asked for this. I might say that we have had two meetings this week now and we have had a long series of meetings on the subject and I do feel that all the members were notified. I might even say that as a result of this reshuffling of the schedule, inconvenience was caused to a number of members. Unfortunately I was not able to tell Mr. Goyer of the change in plans which we had made as a result of conversations in the steering committee and Mr. Goyer found himself here on Monday morning, at some extra effort no doubt in cutting his weekend short but the rest of us were not here. I apologize to Mr. Goyer for that.

I just indicate this to the Committee to try and have you understand some of the problems that do confront one who is charged with the responsibility of chairing a committee. I have tried, I think, and the steering committee has tried to accommodate members as much as possible but I am, as I say, in the hands of the Committee on this. It would seem that if today there are no further questions or we can dispose of the questions because there is no committee sitting in this room at 11 o'clock, then it might be the wish of the Committee to do that at this time.

Mr. AIKEN: Well, Mr. Chairman, I believe we may do that, if you wish. I am not a member of the Committee and so I have no status but if we do not complete what we intended to do in the Committee, then we will have to do it in the House when the estimates come back there. I have a substantial number of questions that I want to ask in connection with water resources policy and pollution and I could not do it in five or ten minutes.

The CHAIRMAN: I am sure you could have more time than that, Mr. Aiken.

Mr. AIKEN: Furthermore, I have a further committee at 11, the special joint committee on divorce is meeting.

Mr. REID: If we are being hung up here by Mr. Allen, we might as well conclude the meeting now. It is quite obvious that he wishes to delay it to allow Mr. Fulton to come in and ask his questions. I suggest we accept what is being done and get out of here.

Mr. AIKEN: Mr. Chairman, I do not accept that statement. It may have been made in a certain amount of anger or some such thing. I have questions—a considerable number—that I wanted to ask myself. I am not stalling for Mr. Fulton; I am stalling for myself. As I said, if you want to go ahead, all right, we will do it in the House and probably it would be a better situation. Certainly I have a considerable number of questions to ask the Minister.

Mr. PETERS: Mr. Chairman, for information—I should not ask because I am on the steering committee—but what did we decide to do with Mr. Kierans? This might clarify it. What I am wondering is, was it agreed and the minister had some thought on this, that we would bring Mr. Kierans before the Committee on this water resources matter. If so, there would probably have to be something left open in terms of our fall deliberations, if that was contemplated. It might be possible to pass all the estimates with the exception of the one that would allow Mr. Kierans to come before us, and this might satisfy Mr. Aiken.

The CHAIRMAN: I might say on that point, you asked what was decided. It was my understanding at that time that the decision that was made with regard to Mr. Kierans was a decision to make a decision at a later date. During the course of the steering committee meeting it was my understanding that we felt we should proceed with the work before us and that at a future date we should consider hearing witnesses on various subjects.

● (11.00 a.m.)

Then, of course, we did come up with the problem of the Energy Board and the hearing of witnesses there. At that time the Committee decided, because of the particular interest there and the novelty of it, inasmuch as we had not discussed this before, that we would ask that the Energy Board item not be passed and have this come up in the fall and we would probably then hear a

series of witnesses. Therefore, no provision was made for the hearing of other witnesses on other aspects of the department. It was mentioned at that time that in the case of Mr. Kierans he did have an opportunity last year to come before the Committee; it was my understanding that that was one of the decisions that we really had made. This is subject to confirmation in this Committee.

Once we have a committee sitting like this, we can have a considerable number of individuals asking to be heard and we really have to exercise some discipline on ourselves in the selection of witnesses in specific areas. We have to realize that it is not just our Committee that is functioning, and that all of us have other responsibilities to perform.

I was rather of the opinion that the decision that was made by the steering committee was to make an effort today—and this was even discussed in the last Committee in the presence of most of the members—to conclude all of the departments concerned except energy and that we would have energy and area development in the fall.

One other thing, as far as Mr. Kierans and the water policy are concerned, if I may express an opinion, is that it would depend upon the amount of work we do and the time we consume in the fall; that it might be the Minister's wish at that time to have further discussions in this area of water policy. If the Minister did agree to that then I think that the Committee, in turn, would not be able to do that until it had dealt with the Energy Board and the Area Development Agency. We would then have to see how much time we had left. I would put this to the Committee as a possible solution to the present situation.

Pardon me, Mr. Pepin, if I might say so, that (*a*) I do not know what the Minister's view on that would be, and (*b*) even if his view were that something might be referred to this Committee to cover the area of water, we already have a considerable amount of work in other fields in front of us, and I know many members are anxious to get at it. Whether or not we get back to water in this Committee would depend on the wish of the Minister and, perhaps, more important than that, the progress that we make in other fields.

Mr. PEPIN: I was going to say that I was in the hands of the Committee.

Mr. PETERS: I believe that if it is a question of policy, then Mr. Kierans will involve a fairly specific field, but it will be the Great Lakes water problem that we had a year ago that was not finalized and it would be possible then for us to open up this problem again in terms of conservation and water pollution.

The CHAIRMAN: I may also say, Mr. Aiken, that as far as questioning in the House is concerned or bringing the matter up in the House, perhaps no matter what had happened in this Committee it might possibly be the desire of one or two members to bring the matter up in the House—you know, those who are interested in it. This is something, Mr. Aiken, that happens. We all have conflicts from time to time. We have to try and draw a balance so, perhaps, therefore, this may present a good opportunity for you and one or two others who may wish to bring up the matter of water resources again in the House of Commons.

Mr. PEPIN: If we have five more minutes, I think Mr. Aiken wanted to question me on the pollution conference in Montreal in the fall. We probably could do that now.

Mr. AIKEN: Mr. Chairman, I am a visitor to the Committee. Therefore, I do not have any authority to delay the proceedings, but we have not really gone into the question of water policy or pollution policy with the Minister.

Mr. PEPIN: We did a bit of work on this before you came in.

Mr. AIKEN: I grant you that. I am prepared to go ahead but frankly I have quite a few questions. If that is the wish of the Committee I will be glad to go ahead.

The CHAIRMAN: Is it the wish of the Committee to continue and to allow Mr. Aiken to ask these questions?

Mr. GOYER: Perhaps some of them have already been answered. So, if Mr. Aiken wants to proceed, the Minister can answer very short ones, because we already know the answers. It will be for the information of Mr. Aiken.

The CHAIRMAN: As Chairman, I might say that we did cover a fair amount on this subject. You allege that we did not get into water policy. As Chairman of the Committee, I rather felt that there were a number of members from a number of political parties, say all three political parties here today, who did ask very good questions, as they have done in the past, when the officials were before them. I think the general consensus seemed to be that the Committee had done some good work in this field. So, as Chairman of the Committee, although I do not participate in questions, I do feel that the Committee itself has done some good work and I would not like that remark really to go, Mr. Aiken, without some amplification. Are you ready to proceed?

Mr. AIKEN: No. We cannot do it on that basis, Mr. Chairman. Some of the members who have come here so recently are very prone to come up with these smart remarks and I resent them. In many sessions past, it has been the courtesy and I trust it will be the courtesy in the future, to give members the opportunity fully to discuss a Department that is under consideration. Now, if that is not going to be done, that is all right. I merely give notice that when this department comes up in the House, it will be given a real going over.

The CHAIRMAN: Mr. Aiken, I may just say this at this time, as Chairman of the Committee I take umbrage at the suggestion that we have not had ample opportunity to discuss this and I repeat that the Chairman, in conjunction with the steering committee, went to some effort to try to accommodate all members at all times. Mr. Saltsman and Mr. Peters are not here at the moment, but in last week's discussions in which Mr. Fulton took part, there was a twofold attack before the Chairman at that time to try and reconcile the interests of all members. One of them was dealing with the Energy Board and I know it is very obvious that the Minister would prefer if the Energy Board could be dealt with now, but when I brought it to him that the members wanted to go into extensive questioning on this and it was my recommendation to him that this is what I felt the Committee should do and that I was in the Committee's hands on this, then the Minister had no alternative and he was quite agreeable.

At the same time I re-scheduled a meeting from Monday morning to accommodate other committee members; now I find that there have been members here this morning who have questioned and you have made the suggestion that, in your opinion, we have not dealt with water policy, well. . . .

Mr. AIKEN: Tell me how you can do it in half an hour, Mr. Chairman; that is how much I was late. I admit I had another commitment. If you dealt with water policy and pollution policy in half an hour, it was not given much of an airing.

The CHAIRMAN: I do feel that the members of the Committee were satisfied. I am in the hands of the Committee on this matter. If they want to hold the meeting over until Thursday so that Mr. Fulton and yourself can ask some questions, then that is for the Committee to do. If, on the other hand, they are satisfied with the work they have done and wish to pass, then it would be in order for the Committee to do so at this time. I leave it to the Committee.

Mr. FAULKNER: Is this the final meeting?

The CHAIRMAN: If this is to be the final meeting, shall Item 1 carry?

Item 1 agreed to.

The CHAIRMAN: Shall Item 5 carry?

Item 5 agreed to.

The CHAIRMAN: Shall I report the estimates of the Department of Mines and Technical Surveys, less Item 110, the National Energy Board, to the House?

Agreed.

The CHAIRMAN: Shall I report the estimates of National Research Council including the Medical Research Council to the House?

Agreed.

The CHAIRMAN: I thank you very much for your co-operation during the past several weeks, gentlemen.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. RICHARD CASHIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

TUESDAY, OCTOBER 18, 1966

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Respecting

The subject-matter of the designated area program and the criteria thereunder.

WITNESSES:

Hon. Charles M. Drury, Minister of Industry and Minister of Defence Production. *From the Department of Industry:* Messrs. S. S. Reisman, Deputy Minister; W. J. Lavigne, Commissioner, *Area Development Agency;* J. A. Teeter, Deputy Commissioner, *Area Development Agency.*

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24757—1

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Richard Cashin

Vice-Chairman: Mr. Ovide Laflamme

and

Mr. Addison,
Mr. Andras,
Mr. Beaulieu,
Mr. Bower,
Mr. Davis,
Mr. Faulkner,
Mr. Forest,
Mr. Fulton,
Mr. Goyer,
Mr. Grafftey,
Mr. Hales,
Mr. Hopkins,
Mr. Langlois (*Chicoutimi*),
Mr. Latulippe,
Mr. Legault,
Mr. McCutcheon,
Mr. O'Keefe,
Mr. Peters,
Mr. Reid,
Mr. Saltsman,
Mr. Scott (*Victoria (Ont.)*),
Mr. Sherman—(24).

(Quorum 9)

Fernand Despatie,
Clerk of the Committee.

CORRECTION

Issue No. 9, on page 235, the second last paragraph should read:

The Committee unanimously agreed that the Main Estimates of the Department of Mines and Technical Surveys, *less Item 110—National Energy Board*, and of the National Research Council including the Medical Research Council be approved and commended to the House.

ORDERS OF REFERENCE

FRIDAY, June 3, 1966.

Ordered—That the Standing Committee on Industry, Research and Energy Development be empowered to consider the subject-matter of the designated area program and the criteria thereunder.

MONDAY, June 27, 1966.

Ordered—That the Standing Committee on Industry, Research and Energy Development be authorized to sit while the House is sitting, such authority to have effect for Monday, June 27 until Thursday, June 30, 1966, inclusive.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

24757—1½

REPORT TO THE HOUSE

THURSDAY, July 14, 1966.

The Standing Committee on Industry, Research and Energy Development has the honour to present its

FIFTH REPORT

On Wednesday, June 29, 1966, your Committee returned the Main Estimates 1966-67 of the National Research Council, including the Medical Research Council which had been referred to it for consideration.

A copy of the relevant Minutes of Proceedings and Evidence (*Issue No. 8*) is appended herewith.

Respectfully submitted,

RICHARD CASHIN,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, October 18, 1966.
(12)

The Standing Committee on Industry, Research and Energy Development met at 11.13 a.m. this day. The Chairman, Mr. Cashin, presided.

Members present: Messrs. Addison, Cashin, Faulkner, Latulippe, Legault, O'Keefe, Peters, Saltsman, Scott (*Victoria (Ont.)*)—9.

Also present: Hon. Charles M. Drury, Minister of Industry and Minister of Defence Production.

In attendance: From the Department of Industry: Messrs. S. S. Reisman, Deputy Minister; W. J. Lavigne, Commissioner, Area Development Agency; J. A. Teeter, Deputy Commissioner, Area Development Agency; Gordon Haase, Senior Economist, Area Development Agency. *From the Department of Manpower and Immigration:* Mr. F. V. S. Goodman, Special Assistant to the Deputy Minister.

The Chairman opened the meeting and indicated that arrangements were being made for members of the Committee, as well as for other Members of Parliament who might be interested, to visit the National Research Council in Ottawa, on Tuesday, October 25. He added that details pertaining to the visit would be supplied shortly.

The Committee then proceeded to consider the subject-matter of the designated area program and the criteria thereunder. The Chairman welcomed the Hon. Charles M. Drury, as well as departmental officials and invited the Minister to make an opening statement.

The Minister made a statement in which he reviewed the Area Development Program. He was examined and thanked by the Chairman. Messrs. Reisman, Lavigne and Teeter assisted the Minister.

The following documents were tabled and distributed to members of the Committee:

Department of Industry Act (Assented to 22nd July, 1963);

Area Development Incentives Act (Assented to 30th June 1965);

Extract from Income Tax Act (Respecting three-year tax exemption for Designated Areas—as amended June 30, 1965);

Schedule (Class 20 of Schedule B to the Income Tax Regulations—effective July 1, 1965);

P.C. 1965-1394 (4th August 1965);

Area Development Incentives Regulations (4th August, 1965—including Amendment 30th June, 1966);

News Release (Area Development Program Announcement—August 5, 1965);

Regulations re Special Capital Cost Allowances (Designated areas —November 24, 1965);

Map (Designated Areas—Area Development Program).

At 12.50 p.m., the Committee adjourned to the call of the Chair.

Fernand Despatie,
Clerk of the Committee.

EVIDENCE

(*Recorded by Electronic Apparatus*)

TUESDAY, October 18, 1966.

The CHAIRMAN: Gentlemen, I call the meeting to order. Before I go any further I would like to say that the last time we met we discussed and accepted the invitation to visit the N.R.C. At that time we talked about Thursday as a date. Since then I have been in touch with the President and have been informed that Tuesday would be a more acceptable day for their schedule and I felt it would also give us more time to get this thing organized, and also to take it up in caucus on Wednesday. Therefore, I accepted, subject to your approval, that we go on Tuesday, instead of Thursday, a week from today.

We will leave at 9 o'clock in the morning from the west entrance of the centre block. The Chairman felt really to do justice that we would need the whole day but I told him that the consensus was that a half day was pretty well the maximum that we could afford at the time, but he did say that if there were any who wanted to stay over in the afternoon and make it a full day he would be only too glad to show them about.

Hon. C. M. DRURY (*Minister of Industry*): If I might just add a footnote, Mr. Chairman, the Committee members may already be aware of this but this being the 50th anniversary of the National Research Council they have set up a number of demonstrations which would not be in the normal course of events there or in operation. Now that the anniversary celebrations as such are over, and the general visiting is stopped, it is desired to dismantle the demonstrations and exhibits. They are being kept in place so that the members of the Committee can perhaps get a better impression of what the N.R.C. does than would otherwise be the case. The longer the delay in going to take advantage of visiting this place the more difficult it is for the N.R.C. and they want to have the visit as early as possible.

The CHAIRMAN: Yes, we explained that.

Mr. DRURY: That is fine.

The CHAIRMAN: I now welcome the Minister and his officials to our Committee.

Mr. PETERS: Mr. Chairman, before you leave this, since it is of genral interest, has any thought been given to the idea of permitting members other than members of the Committee to accompany us on this visit?

The CHAIRMAN: I mentioned this to the Minister in passing, and also to the Chairman himself, because I wanted to get some indication of the exact numbers who would be attending. I know that we will not have the full complement of our own 24, so I told him to expect around 20, but that I would confirm that with him. I thought it would be all right if there were some others because I did

not think that the number would be prohibitive. You might want to come along, and one of the Conservatives undertook last time to mention at their caucus tomorrow, and I was going to mention it at our caucus. I will be in touch with the members before Thursday to get their confirmation whether or not they will be able to attend on Tuesday.

As I say, we are fortunate to have with us the Minister of Industry and his officials who are to open the discussion on the item of the estimates dealing with the Area Development Agency. It is appropriate of course, at the beginning of this discussion that we have a statement from the Minister on this matter. I now call on Mr. Drury.

Mr. DRURY: Mr. Chairman, I am very glad indeed that the Committee has decided to give consideration to the desigated area program at this time. I have always taken the opportunity in the normal course of parliamentary business to explain the program to the house within the limits available, and to provide specific information, inside and outside the house, to members who are concerned about particular areas or particular questions. While the reference to the Committee relates to the criteria for designating areas, I regard your inquiry here as an opportunity for us to go into all aspects of this program in a comprehensive and systematic way, beginning with the objectives the government had in bringing the program into force, the manner in which we have proceeded, and an indication of the results that have been obtained. I would like to-day to deal broadly with the background of the Area Development Program and then go into some detail regarding the criteria that have been devised to identify the areas designated. My officials will be at the disposal of your Committee throughout its inquiry to discuss the details of the program's administration and to provide factual information that the Committee may desire to have.

I would like to begin my review of the Area Development Program by referring back to the economic conditions that existed in the country at the time that the program was introduced.

Members will recall that the main problem facing the country and the government in the early nineteen-sixties was the dangerously high level of unemployment which had carried over from the recession of 1957-58 and was particularly severe in certain areas of the country. In 1961, for example, the proportion of the total labour force which was unemployed was reported officially to be 7.2 per cent, and in 1962 the proportion remained very close to 6 per cent. These figures are average unemployment rates for the whole country and express, as I say, the unemployed as a percentage of the labour force.

There is one aspect of the unemployment situation in the early nineteen-sixties that I would like to draw to the attention of the Committee before I leave these official figures. This is the point that these unemployment figures are average figures which relate to the country as a whole and for the period of one year. In individual parts of the country and at particular seasons of the year, it is well known that the unemployment rate was much higher than the annual average. We know of course, when we speak in averages, that there are as many cases above the average as there are below it, and I will wish to return to employment conditions in particular parts of Canada at a later stage of my remarks.

What I want to emphasize here is that our Area Development legislation, as it now stands, was formulated and brought into effect during a period when unemployment was at a serious level. There is one more event that I would like to recall in connection with the beginnings of the Area Development Program, and that was the creation of the Department of Industry in the over-all framework of the Government of Canada. It is not my purpose to dwell upon the reasons for the establishment of the Department of Industry. Members will appreciate, however, that the secondary manufacturing and processing sectors of the Canadian economy have been growing steadily over the period of our history and that in the period during and following world war II, this expansion has been rapid and significant. It had been evident for some time that the Canadian economy is no longer predominantly based upon agriculture and our natural resources. It is also clear that the continued growth in the Canadian economy will take place in the manufacturing and processing sector and in the service industries, rather than in the primary sector.

The government cannot be indifferent to the welfare of secondary industry, and indeed, has for many years administered policies and programs that have been of critical importance to industrial growth. The establishment of the Department of Industry in 1963 represented, in this sense, a crystallization of these earlier trends and had the effect of focusing the federal government's policies and relations with industry into a single department. At the same time, this has provided a single point of contact for private industries across the country in their relations with the federal government, and has provided a position in the cabinet for a full-time representative of this sector in the councils of the nation.

I emphasize the timing involved here, Mr. Chairman, because I think that the establishment of the Department of Industry during the period when unemployment was of critical concern to the government has largely determined the character of our Area Development Program as it exists to-day. You will appreciate that our view has been that the solution of the problems of unemployment lies in the creation of new jobs. At the same time, we recognize the increasing importance of secondary industry in the stage of economic development and growth in which Canada now finds itself. The basic importance of secondary industry lies in the fact that it is the products of this sector of the economy which consumers wish to have. The durable consumer goods such as automobiles, household appliances and the other items that contribute to our high standard of living, including housing, comprise the output of our industrial sector. Finally, of course, secondary industry requires workers and industrial growth creates new jobs, and the government decided that in the course of encouraging and fostering the natural rate of industrial growth in Canada, an effort would be made to encourage a certain amount of this growth to take place in areas where conditions of unemployment and slow employment growth were chronic and severe. Our Area Development Program has grown naturally out of these two circumstances of concentrated areas of unemployment and the growth and importance of secondary industry.

These beginnings are reflected in the legislative basis of the Area Development Program. An agency to administer this program was established, and as a matter of fact, is provided for in the Department of Industry Act. This act

gives specific authority for the designation of any district or locality in the country where the problem of unemployment is exceptional in nature or degree in comparison with the situation in the country as a whole. At the same time, it is clearly anticipated that any action taken under the act to alleviate these conditions of unemployment will be along the lines of economic and industrial development.

I would like to make the position of the government very clear at this point. There is no intention in this legislation to embark upon a program of industrial development on a national basis. Rather, as I say, our concern is with the areas that have been designated for cause, and industrial expansion is the vehicle by which the underlying conditions of unemployment that exist there are being attacked. The area development legislation does not provide for a comprehensive program of regional development as such, either in the sense of stimulating growth in any of our larger economic regions at the possible expense of some others, or in the sense of making any determinations of the local areas and points in which investments should be made within the boundaries of these larger regions and provinces. Our approach has been rather to designate for purposes of this program those areas, wherever they exist in the country, that are shown by the official statistics to have problems of unemployment and associated conditions that are severe and of long standing,

Members will recognize that responsibility for the maintenance of satisfactory levels of employment in Canada has been accepted by the federal government. Responsibility for the satisfactory performance of the economy as a whole, in terms of stability and growth, has also been accepted by the federal government in so far as it is possible to achieve this. Employment policy is at once both an integral part and an end itself of national economic policy. That is to say, when we speak of full employment, we are not only talking about the economic advantages in terms of output and prosperity that full employment makes possible, but we are also talking about the desire of individuals to have satisfactory and rewarding employment. We are aware of the increasing numbers of people who will be entering the labour force in Canada and are aware that a substantial rate of economic growth will need to be maintained over the future period to provide the job opportunities that will be required in this regard.

The devices for regulating the over-all performance of the economy, including the growth rate, are those monetary and fiscal instruments which belong to the federal jurisdiction, and the commercial and trading arrangements which the federal government makes on behalf of Canada in the important matters of our import and export trade. Employment policy, therefore, cannot be divorced from our over-all national economic policy, and indeed, those areas of Canada where employment has grown and flourished have done so largely under the support and protection of the federal government's tariff and commercial policies. It can hardly be suggested that the federal government has no responsibility in respect of those areas of the country which have not benefited to a satisfactory degree and where conditions of underemployment, unemployment and low incomes have developed as a result.

I think there has been substantial agreement that the government of Canada has a responsibility in this problem of areas with concentrated employ-

ment problems. Members will recall that in early 1961, the government of the day made selections of areas across the country where incentives were provided for the establishment of facilities that would produce any product for the first time in that area. These were areas that were experiencing exceptional degrees of unemployment, and the areas designated were mainly National Employment Service areas, although individual localities were specified in certain cases. The benefits provided to industries qualifying under this earlier program were in general a double depreciation allowance on certain classes of machinery and equipment. These same capital cost allowances were also provided for facilities for the production anywhere in the country of products being produced in Canada for the first time.

In respect of that aspect of the earlier program relative to new products in surplus manpower areas, as these were described in the terminology of the day, the results were encouraging. As of early December, 1963, the last month during which applications for project approval could be submitted, a total of 26 projects had been approved under the program. These projects represented an investment of some $112 million, and were estimated to have created more than 3,200 new jobs.

In sketching the present government's approach to the Area Development Program, I do not want to give the impression, Mr. Chairman, that the federal government is taking sole responsibility for guaranteeing a degree of economic growth and industrial expansion in every part of Canada. In a free economy such as we have, the final decisions about investments in plants and machinery are made essentially by private enterprise and the owners of private and corporate funds. The final decisions about the location of new industries are made at the same time. We believe that this system is the proper one and we see the role of the government to be that of providing a favourable environment that contains selective measures and assistance, but within which the private sector can develop efficiently and at an acceptable rate. As I have explained, we believe that the Area Development Program comprises an effective element of this environment, having in mind the government's objectives of directing some of our industrial growth to areas where present opportunities for employment and for income are inadequate for the people who reside there, and who will, for one reason or another, wish to continue to reside there.

We also recognize that the provincial governments have a vital interest in the rate and pattern of industrial growth within their jurisdictions. Within their borders, some provinces are beginning to plan for orderly growth and change in their various regions, in order to provide more efficiently for the roads, schools and other services which fall within their sphere of responsibility. All provinces are concerned about their own rates of economic growth as this relates to their tax base and their consequent ability to pay for provincial programs, and as this relates to expanding job opportunities for provincial residents. Municipal governments, which are creatures of the provincial jurisdiction, also actively promote industrial development in their areas, again for reasons of employment opportunities for their residents, expanded tax bases and the local prosperity that flows from industrial activity and growth. I take it, Mr. Chairman, that efforts by provinces and municipalities to influence and promote industrial growth is a fact of our economic life. We welcome their efforts in these respects,

provided it does not of course lead to economically damaging rivalry in the location of industry. For most localities within a province, the final question of economic growth will be determined by their own resources, location and efforts, together with decisions which they jointly make as provincial governments.

At the same time, it is also a fact of economic life that localities within a province, and even provinces as between themselves, are often competitors for the opportunities for industrial growth that are available to Canada as a whole. I would wish to say, Mr. Chairman, that the federal government will carefully avoid any element of involvement in this competitive milieu and must proceed with due caution and study in any economic program that has regional implications. This larger question of differential regional incomes and growth rates in Canada has always been and will continue to be a major federal preoccupation.

I have gone into this discussion on our general views of industrial growth and regional growth because I would like to place the Area Development Program properly into this context. This is not a program to promote the industrialization of our economy. It is not a program that promises new industry for every nook and cranny of our territory. It is one small part of the government's over-all economic policy to ensure an acceptable rate of growth of our national output and of employment opportunities for our citizens. In effect, we are talking here about a program which has the relatively limited objective of making sure that some of our economic growth takes place in areas where there is a long-standing short-fall in opportunities for employment and income for people who live there. Having said this again, Mr. Chairman, I now want to turn to the problems of identifying those areas in an equitable and objective way.

Some experience was available, of course, from the operation of the new products program, between 1961 and 1963, which was administered in the Department of Trade and Commerce. The procedure at that time had been, as I understand it, for individual areas to make a request to the government for designation for purposes of that program. An investigation of unemployment conditions in the area was then made by officials of the Labour Department, and following their report, the area might be designated formally by order in council.

In the formulation of the Area Development Program in my department, this piecemeal approach to designation was not followed. Rather, it was decided to seek an approach which was systematic and would determine the eligibility of all parts of the country for designation, and which was at the same time objective, and would determine this eligibility on the basis of official and relevant information. I am speaking now of the first phase of the Area Development Program, which followed the enactment of the Department of Industry Act on July 22, 1963. This act created the Area Development Agency, as I mentioned previously, and also contains provisions for designating, for purposes of special measures to promote economic growth, areas in which exceptional conditions of unemployment are found to exist.

It is our interpretation that "the exceptional nature or degree of unemployment in that area", to use the language of the act, does not refer only to a

simple count of persons unemployed and looking for jobs. There is no question, however, that the numbers of persons who are unemployed and registered for work in our National Employment Service offices is the main indicator of the severity of conditions in that area. This is the one measure that must be taken into account. Having recognized this, our examination of unemployment across the country had to be made in terms of N.E.S. office areas, since applications for jobs are filed in those offices and comparative statistics are thus available which show the unemployment situation of all these areas and their relation to the national picture. Furthermore, these statistics are available on a monthly basis, so that seasonal fluctuations in employment can be recognized in areas where this is a problem. We were greatly concerned with this seasonal aspect of unemployment in the early phase of the Area Development Program. And finally, the data in these N.E.S. offices are available for a period of years. We thought, and are still of the opinion, that a longer view of the unemployment situation is required for our purposes, since a program such as this is not an appropriate response to short-run or cyclical fluctuations in the unemployment rate. What we are looking for, I think, are those areas where the unemployment situation is both chronic and severe.

This was our basic approach to the problem of selecting areas for designation at this initial stage of the present program. A great deal of interdepartmental committee work by our officials was involved in a systematic review of the unemployment records for each N.E.S. area in the country, and in the analysis of their data to make meaningful separations of areas on the basis of need for special assistance. An order-in-council then provided, under the authority of the Department of Industry Act, for the designation of 35 N.E.S. areas across the country in which special measures to promote economic growth would apply.

Now I would not propose, Mr. Chairman, to go into the details of the administration of the program at this time. The officials who are responsible for these matters will be at the disposal of the Committee as you may see fit. As I mentioned previously, the prime purpose of the legislation underlying the program is to encourage the establishment of new manufacturing and processing facilities in designated areas. To that end, the Income Tax Act was amended on December 5, 1963, to provide a three-year income tax holiday for new enterprises which qualified in this respect. In January of 1964, the income tax regulations were amended to provide special capital cost allowances for the main classes of buildings and machinery embodied in these new facilities.

The value that is received in return for forgoing these revenues is measured, in the federal government's view, by the number of new job opportunities that accrue to the residents of these areas as a result of the establishment of new industry. I will want to outline fully a little later what these results have been, but would like first to follow through the procedure for the designation of areas, from the beginning of the program in September 1963, to where the matter stands at the present moment.

The legislation of 1963 provided for a review of the areas that were designated in order to determine their continued eligibility for benefits. This review implied an examination of up to date information on unemployment, and the consideration of this new data in accordance with the criteria. In some designated areas the response of industrial expansion was very marked, and

employment gains quickly alleviated the conditions of unemployment which had led to designation in the first instance. A review of the program, in accordance with these principles, was carried out towards the end of 1964, and as a result, 3 N.E.S. area, Brantford and Pembroke in Ontario and St-Jean, in Quebec, were removed from the list of designated areas in January of 1965.

By that time, it was apparent from the experience of the program that some fundamental revisions should be contemplated. We wished to give consideration to some more effective incentives to new industry than the tax holiday was proving to be in certain circumstances. However, I want particularly to discuss the changes that were considered in the criteria for designating areas. In the first place, new information regarding the unemployment rate was continually becoming available, and had to be taken into account. The unemployment situation in the country as a whole had shown marked improvement, reflecting sizeable gains in certain areas, but obscuring conditions in other areas which continued in their decline. In our review of the new relative position of each N.E.S. area, we considered the unemployment rate for the most recent five year period for which the data was available, rather than for the eight years that were considered at the outset in 1963. It was apparent that five years was a sufficiently long period to identify a severe and intractable condition of unemployment of our purposes. The five-year unemployment ratios for all N.E.S. areas were calculated as a percentage of the average unemployment rate for Canada for the period, and the areas were then ranked accordingly for comparative purposes. It was decided that any N.E.S. area having an unemployment rate that is at least double, or 200 per cent of the national figure, would be eligible for designation on that basis.

At the same time more attention was given to the matter of slow employment growth as a qualification for designation of an area. We found at an early stage of this line of inquiry that employment growth, on a local basis, is difficult to measure. However, further interdepartmental efforts did produce a statistical series showing employment growth in each N.E.S. area over the recent period. These figures lent themselves to calculations of growth trends for each area which in turn could be compared with the growth rate of the country as a whole. The results provided an additional basis for ranking the N.E.S. office areas.

In application to our criteria, a low growth rate operates to reduce the unemployment rate that is required for designation. Specifically, if the rate of employment growth in an area is less than half (50 per cent) of the national average rate, then that area will be designated with an unemployment ratio that is 150 per cent or more of the national average rather than the 200 per cent that is required in other cases. At the same time, we felt that it was necessary to acknowledge that extreme cases of slow employment growth, in the sense of a large and persistent decline in job opportunities in any area, should likewise be recognised as a qualification for designation, regardless of the current level of unemployment. Accordingly, any N.E.S. area in which employment has declined at an annual rate of more than 10 per cent over the five-year period was automatically designated.

The income situation in N.E.S. areas was taken into account in the 1965 review in determining eligibility for designation. This criterion had not been

employed previously. We had been aware that income levels are a reflection of employment conditions in local areas, but once again there were no measures readily available of incomes for N.E.S. office areas, and once again a considerable effort by officials was required to produce a usable series.

On the basis of this knowledge of income levels in N.E.S. areas we were able to establish two guideposts in our criteria. In the first place, I think it would be agreed that areas having the highest average family incomes in the country would not contain the most severe and deep-seated conditions of unemployment. These high incomes are the results of a high level of economic activity, and usually of industrial activity, because farm incomes are not included in our data. To my knowledge, there are no satisfactory data on farm family net incomes. In any event, the unemployment which afflicts highly industrialized, high income areas is normally associated with short-run fluctuations and temporary economic dislocations in particular sectors, rather than with the deeply-rooted maladjustments towards which the Area Development Program is directed. On this reasoning, we selected the average non-farm family income for 1960-61 as our guidepost, and virtually ruled the richest half of our N.E.S. areas out of the program. This seems to me to be nothing less than consistent with our objective of bringing a measure of assistance to those areas which need it most acutely. For the record, Mr. Chairman, this limiting figure is $5,449 which is the average income per non-farm family for Canada, based upon the incomes reported in the 1961 census.

Having made this cut-off on the basis of high family incomes, however, we accepted the remainder of the logic and selected a lower level of family incomes, below which an N.E.S. area would qualify regardless of its level of registered unemployment. This is in recognition of the fact that low incomes ordinarily reflect a situation of part time employment, unregistered unemployed and low labour force participation. These conditions of underemployment are almost as undesirable as the limiting case of full time unemployment, in terms of their effects upon the local area and upon the individual.

We have attached a great deal of importance to the relevance of family income as a criterion for the designation of our areas. The guidepost which was finally established in this regard is a non-farm family income of $4,250. If the average for an N.E.S. area is below this figure, the area is designated without regard for its unemployment situation. The principle has been carried further to designate any N.E.S. area, in which more than forty per cent of all non-farm families have incomes below $3,000, to provide for those areas whose income distribution is heavily weighted towards low incomes, but whose average income would, as a result of the calculations, be perhaps a little above the threshold figure of $4,250 per year. This figure, for the record, Mr. Chairman, represents about three quarters of the national average non-farm family income in the base year.

Mr. PETERS: What was that figure, $3,000?

Mr. DRURY: No, $4,250.

Mr. PETERS: No, the other one.

Mr. DRURY: Yes, $3,000.

Mr. PETERS: That is 40 per cent of the families.

Mr. DRURY: A further extension, also I think in the interests of consistency, provides for the designation of individual counties and census divisions where average incomes were below $4,250 in the base year, provided that these counties and census divisions are contiguous to an N.E.S. area that has been designated under the above criteria, and have natural economic links with these designated N.E.S. areas. The contiguity requirement, while allowing these special related cases to be taken into account, permits the procedure to stay close to the N.E.S. area as the basic geographical unit for designation, having in mind their unemployment statistics, but also the fact that these areas normally coincide with natural labour markets.

In our investigations of this contiguity principle, we looked rather thoroughly into the possibility of grouping a number of adjacent N.E.S. areas into a single larger area which taken as a whole, might meet one or other criterion for designation. It might be, for example, that an area with a particularly high unemployment rate would be located adjacent to another area whose rate was only slightly below the level required for designation. When considered together as a unit, both areas might conceivably qualify. You will appreciate I am sure, that the number of combinations that would have to be investigated in respect of all of the criteria, would be very large indeed and involve a good deal of preliminary work. We have not pursued this alternative, not because it is difficult but because in many situations it is indeterminate. For example, an area with a high unemployment rate might have two adjacent areas that are close to the requirement for designation, and its unfavorable rate might be sufficient to bring one area or the other in over the margin, but not both. Which additional area should thereupon qualify? While there are perhaps a number of arbitrary rules that could be applied it seems to me that such a procedure might partake of gerrymandering and we have looked for some other device to take care of this kind of situation.

I might say, Mr. Chairman, that the solution that has been adopted in this regard was suggested to us, initially, by a number of provincial governments which were reacting independently to a practical problem which our designated areas would pose within their borders. In applying the letter of our criteria there were a number of cases, a very small number of cases, in which we proposed to designate a portion only of a distinct economic or geographic region, which the province had recognized as such, both for administrative purposes and for economic planning. In each case, one or more of the relatively better areas in the region, often containing a key growth point, had been left out. What these provinces proposed was that the regions concerned should be regarded as a whole unit, and the statistics for all the N.E.S. areas concerned should be pooled in effect in the application of our criteria. Then the whole region, if it met any of the overriding criteria that apply to individual areas, would be designated accordingly. We accepted the logic of this approach and I can report to the Committee that in each of the cases to which the procedure was applied, the bulk of the regions in question could indeed qualify and have been designated. I will wish to refer again to this very interesting problem.

There is in the meantime, only one more detail of the present criteria that remains to be dealt with, Mr. Chairman. This particular criterion relates to

certain areas that had been designated at the outset of the program. A number of those originally designated areas would not meet these new criteria as established by P.C. 1965-1394, of August 4, 1965, and would ordinarily be dropped from the list of designated areas. Some of these original areas would not have shown any significant improvement and it was decided to retain such areas in the program. Therefore any such area whose unemployment ratio, relative again to the national average, was not lower, or better in the most recent 12 months than it had been over the most recent 5 years, was in effect re-designated for that reason.

These are the rules, Mr. Chairman, which determine the eligibility of any N.E.S. area, or contiguous county or census division, for designation under the Area Development Program. Since the program is designed to provide more opportunities for people where they now reside, rather than opening up uninhabited territory, the northern, sparsely settled parts of the country are excluded from its provisions. These criteria are spelled out in P.C. 1965-1394, which I have mentioned in passing and which I would like to table at this time for the records of the Committee.

I think, Mr. Chairman, you requested to table my papers at the end, so rather than table now I will wait. This order also lists, in Appendix D attached to it, those N.E.S. areas and contiguous counties and census divisions which meet the established criteria and are accordingly designated for purposes of the program.

Now in tabling the criteria for designation, Mr. Chairman, I am particularly conscious of some of the limitations of our approach, particularly with respect to the data that we have used to give statistical content to these criteria. We are aware, for example, that our measure of unemployement itself, in terms of the number of people registered for work at their local N.E.S. office, may not tell the whole story. To begin with, some persons who obtain jobs may not notify their N.E.S. office immediately and may continue to be reported as unemployed for that reason. Much more important, however, it is also known that not all unemployed persons register at their N.E.S. offices. Some have no hope of finding work, and do not register for this reason. Others may not be familiar with the services available, or reside too far away. We have had representations from areas which made reference to these aspects of non-registration and its effect upon the status of the area in respect of designation.

We are equally concerned about our measures of employment growth and decline in local N.E.S. areas, because nowhere is there available an up-to-date series of the numbers of people employed in these areas over the recent period. Our data are improvised from the best available bench marks, on the basis of hirings and separations reports made by firms with more than 10 employees. We know again that in some areas the smaller firms account among them for a substantial proportion of total employment, and we accordingly may have inadequate records for these areas.

Finally, we recognize that our income figures are perhaps not of the standard that this important criterion deserves. In the first place, they are from the Census of 1961 and are therefore now more than five years old. Not only have incomes changed, but we are certain that the regional pattern of income

distribution is also changing. We are endeavouring to develop better sources of income data, and look forward to the availability next year of certain reports from the Canada Pension Plan in this regard.

On another level, Mr. Chairman, I am aware of suggestions that the areas that have been designated are the wrong ones altogether for the achievement of the purposes of the program. In the Maritime provinces for example, the criteria have had the effect of designating the whole region with the exception of the metropolitan centers of Halifax, Fredericton and Saint John and their immediate environs which fall within the jurisdiction of the N.E.S. offices in these centers. I am told that the way to make the region develop is to designate these growth centers, regardless of their present economic activity and favourable employment situation, in order that new industries may be encouraged to establish there. Some of the benefits of this growth will then presumably flow outward into those other areas where conditions are now unfavourable and which are now designated. I am afraid that I cannot accept this logic. In the first place, these industrial centers do not contain the concentrations of unemployed and underemployed persons which this program was designed to assist. In short, these centers do not meet the criteria for designation. In addition, I do not think it is established that significant benefits will flow out into the outlying areas where unemployment and underemployment does exist. It seems to me that if Halifax, Fredericton and Saint John were designated, most if not all of the development that is now taking place throughout the region would have chosen to locate in those centers, to the detriment of the remainder of the region that the program was designed to help. We have some studies in mind that might throw new light on this matter, but pending their outcome, I am persuaded of the reasonableness of our present views.

A further dimension of the Area Development Program consists of its relation to the regional development plans of the provinces. I think it is perhaps fair to say that it is only recently that considerations of regional growth have been introduced into the planning of certain, but not all, provinces. Certain provinces have, on the basis of their experience and study, delineated regions within their territory for purposes of administration and public investment. These requirements, and decisions based upon them, in turn have implications for the over-all pattern of economic growth within the province.

Under the circumstances, I think it behooves both levels of government to approach economic programs, which contain aspects of regionalism, on the basis of the fullest consultations, having regard to the aims and objectives of these policies and the responsibilities of each jurisdiction in their respective policy areas. In the extreme case, no one would want to contemplate a situation in which one level of government was pursuing an objective, backed by legislation and with financial outlays, that was diametrically opposed to another objective, similarly pursued by the other level. It would perhaps be a truism to observe that such a situation would be unstable. For our part, we would wish to avoid such an impasse through a continuing exchange of views, at all levels, with the provincial authorities in this field. And if such an impasse should perchance occur, we would take all necessary initiatives to resolve the situation. This principle would apply in large and small areas of direct conflict of interest.

But this principle is not the same, Mr. Chairman, as the proposition that on-going provincial programs say, have to be adapted in scope or direction, to accommodate a federal government program that is operating in the same area; or, what is saying the same thing, that federal programs have to be adapted, in scope and direction, to provincial programs in the same area. Both levels of governments are compelled to follow certain lines in order to discharge their responsibilities to the people that they serve. While I endorse the principle that the programs of each level of government should be harmonised and most certainly in the field of area or regional development, this should be subject in my view to the responsibility of each level to take action when it is required to do so. In the matter of concentrations of unemployment and underemployment in this country that have not yielded to natural economic progress and the general instruments of fiscal and economic policy that stimulate over-all growth, the federal government believes that it has a responsibility to act. The Area Development Program is the present vehicle of assistance to those affected areas.

It is our wish to pursue this program in the fullest degree of consultation with those provinces that see this program as being related to their own programs for regional development. The new criteria that I have just been discussing were established last year only after an extensive round of consultations with the provinces, which was initiated by officials of my department. In the course of these consultations, we received a number of thoughtful and helpful suggestions which were subsequently adopted and incorporated into the program. The most notable results of this co-operative approach would be the designation of a number of economic regions to which I referred earlier. These include the Lac-St-Jean region in Quebec, and the Georgian Bay economic region in Ontario.

My department makes a continuing effort to maintain effective consultations with all levels of provincial administrations that are concerned with this program. I am at all times prepared to receive suggestions from provincial authorities that are intended to make the Area Development Program more effective and my officials are prepared at all times to discuss, in the fullest confidence, the technical aspects of any proposals which the provinces may wish to make to us, or of local plans that are contemplated and which may be affected by our program.

Before I leave this general question of co-ordination of our program with related policies at the provincial level, I want to observe that this same problem of co-ordination exists within the federal government itself. There are a number of federal government programs which have implications for regional economic development and adjustment, including the ARDA Program, the Atlantic Development Board, and a number of programs administered by the Department of Manpower and Immigration. We recognize the close relationship between the Area Development Program which consists essentially of taking jobs to workers, and a number of training and manpower mobility measures which consist essentially of moving workers to jobs. At the same time, I do not see any practical or immediate conflict between these policies because of the magnitude of the problems that are involved. There are large numbers of people in our designated areas for whom mobility is not a practical alternative

in present circumstances, and new industrial jobs will continue to provide the main hope which these people will have. In a very real sense, therefore, these programs complement one another in helping to achieve our objective of full employment across Canada.

I have spent some time in describing some of the difficulties that have been encountered in the formulation of the Area Development Program, and I now would like to spend a few moments before I conclude to describe some of the results that the program has achieved. Perhaps you have concluded that, in view of our difficulties, there would be no tangible results. Let me begin by reporting that as at September 30, which is the last month end summary that I have available, a total of 798 applications had been received from firms stating their intentions to establish in designated areas and claim the benefits under the program. Of this number, 620 applications have been approved or are under consideration, and another 23 have been reserved for one reason or another.

It is perhaps of interest to note that of these 643 accepted or reserved applications, 303 of the applicants have chosen the income tax exemption, 332 have chosen the development grant, as provided in the Area Development Incentives Act of last year, and eight applicants have as yet not decided in this regard.

A total of 155 applications have been rejected or withdrawn.

These active applications cover a total of 80 designated N.E.S. areas and contiguous counties and census divisions. It is with some regret that I have to observe in this regard that no projects have as yet been undertaken in three N.E.S. areas and eight eligible counties and census divisions. This is a matter of concern to us and a problem which we have studied in some depth, and it is my hope that we will have a statement to make with respect to this problem at an early date. In any event, projects in respect of which applications have been received are located in all 10 provinces and cover the whole range of industrial and processing activities.

In the matter of the investments in new facilities and expansions of existing facilities in designated areas, I am able to talk in terms of very large figures indeed. At the moment, the total capital investment represented in our active applications amounts to very close to one and one-quarter billion dollars—let me repeat, Mr. Chairman, $1,250 million of investment.

The new jobs to be created directly by these new facilities seem to me to be the meaningful measure of the effects of this program. The total of new direct jobs which will be created by these investments will be well over 40,000. We are aware too that new industrial jobs have a multiplier effect, and may result in as many as an equal number of additional jobs in service and ancillary industries before the final effects of the new plant investment have worked themselves out.

Perhaps the Committee will forgive me for ending on this high and optimistic note. I am more anxious, however, that the Committee be aware that we are making a continuing and never-ending effort to improve this program. We are most conscious of the imperfections that I have outlined and have in hand a comprehensive program of studies and development work of our own to try to overcome these limitations. We have, for example, retained a consultant

who has made a fundamental review of the factors which affect industrial location in Canada, having regard both to the professional literature on this subject and to our own experience with the program. We have also undertaken, in close collaboration with the Province of Ontario, a study aimed at delineating the actual boundaries of the Georgian Bay economic region. Since we are prepared to designate whole economic regions when these qualify, we thought it prudent to investigate the principles that define the boundaries of economic regions for purposes such as ours, and also to test these principles in a concrete case. The Province of Ontario concurred in this study being conducted in the Georgian Bay region and a group of experts from Queen's University has been retained to make this study.

We are examining the possibility of finding a basic geographic unit for designation that is smaller than the N.E.S. area. This would allow the drawing of a finer line in marginal areas. There are a great many practical difficulties in the way of such a procedure, and these problems are being investigated with officials of the Dominion Bureau of Statistics and other agencies which would be concerned.

We maintain a continuing review of the program in order to iron out small anomalies that are inherent in the boundaries of our designated areas. In this regard, adjustments have been made in the case of Bellechasse County, P.Q. and Fernie, B.C., which followed representations made to the agency. In these cases, the boundaries of the National Employment Service office areas concerned were changed to take in additional territory and thereby designate additional areas. These changes were made by the responsible officials of the National Employment Service within whose jurisdiction these matters lie, but were made following satisfactory evidence to these officials that the new areas were in conformity with the boundaries of the labour markets served by their offices.

In the same vein, the regulations under the Area Development Incentives Act have been amended to include certain industrial processes, again after representations had been made which showed the gains in new employment opportunities that would be created as a result.

I think that the program has benefited from all these representations and suggestions that have been received from interested parties and public agencies. I personally welcome the number of suggestions and proposals that have been made directly to me and my officials and we are ready, as I have indicated, to discuss all related matters with their counterparts. It is my hope that this interchange of ideas will continue to develop strongly. It is also my hope, Mr. Chairman, that your Committee will in the course of its deliberations, make suggestions for the improvement of the program. I know that members are thoroughly familiar in many cases with the working of the program at their local levels. I know too that there is wide-spread support for the fundamental aims and objectives of this program. We would like to draw upon this experience and this support in the interests of further improvement.

I would like to say finally that a review of the program is underway and approaching completion at this time. I would like to be able to announce the results of this review, particularly with regard to possible changes in the designated areas before the end of March, 1967. I shall, therefore, follow the

proceedings of your Committee with the utmost interest, Mr. Chairman, and I very much appreciate this opportunity of providing the outlines of our program to you at this time.

The CHAIRMAN: Thank you very much, Mr. Minister, for your detailed and comprehensive statement. I might say before we continue that I have some information that I will distribute to the members which includes the Department of Industry Act, the Area Development Incentives Act, and other relevant information that has been forwarded to our Clerk from the Area Development Agency, but that can be made available to you after the meeting for your future use. We have now heard the opening statement of the Minister. I think it would be in order at this time, since we have a half an hour remaining in our time, to ask you if you wish to question the Minister, I see that Mr. Peters would like to begin.

Mr. PETERS: Yes, I think we all appreciate the remarks the Minister has made and the indication that this program, while it is a new program, has undergone some transformation and is in the process of undergoing further transformation, and always, I hope, improvement. I think, and certainly the Minister has indicated, that it has not worked on behalf of many of the areas as we think it will and should. I noticed the Minister mentioned the amount of money that has been spent, and he indicated the number of jobs projected. Do you know how many jobs have been created under the project for, I presume, the one and a quarter billion dollars of investment as a firm commitment. It is already undertaken and you indicated that this will create approximately 40,000 jobs. How many jobs already have been created by this program?

Mr. DRURY: Well, the answer very quickly is we do not know. I should point out that the billion and a quarter does not represent investment already in place nor entirely investment that is already in the process of being made. We, in a number of instances, represent very nearly the first step in application for qualification under the Area Development Act, a first step in the making of an investment and this is a record of applications which represent something fairly close to the first step. This total amount of money has not been already spent.

Once the application is made and accepted there is then required by the agency no further report on progress until such time as they come into commercial production; so we have no way of knowing or obtaining figures from the company as to actually how many jobs are added on a month by month basis. But in making the application the companies do indicate when the investment is in operation the employment that this will result in, and this is where we get our figure 40,000 from.

Mr. PETERS: Both are projected figures then.

Mr. DRURY: Both of them are projected.

Mr. PETERS: You mentioned that a consultant had been retained by the department to examine I presume some of the effects of changes in the criteria. Is this report available yet?

Mr. DRURY: The purpose of the consultant was to determine the factors which affect the location of industry within Canada, not an examination of criteria as such. What are the factors governing and tending to regulate the location of industry in Canada? It is clear that we have to take these factors into account if we are going to influence the location in the direction that we want. The purpose was to determine or try to ascertain in a rather more concrete and effective way what the factors really were as distinct from merely opinions.

Mr. PETERS: Is the report available?

Mr. DRURY: It will be ready by the beginning of November.

Mr. FAULKNER: In other words, it might be reasonable to anticipate that there might be inducements or incentives which would be declared as factors in the location of industry other than the ones that are being presently employed by—

Mr. DRURY: If one assumes that our reasoning to date has been faulty, and the report shows it to be, then, your assumption is correct.

Mr. FAULKNER: I was not referring to that so much. I was suggesting that possibly the incentives could be expanded. The factors involving industrial location might be more than simply financial inducements, or capital grants or tax incentives. There may indeed be an important factor of technical assistance or something of this kind. This has been a personal feeling of mine for some time, that there are areas in Canada, and in particular I am thinking of my own area, where an important factor might be assistance other than financial assistance in the location of industry.

Mr. DRURY: This is quite true; there are undoubtedly considerations other than purely financial or purely economic.

Mr. FAULKNER: I am not faulting the existing ones.

Mr. DRURY: No. If one were to discover, as an unlikely hypothesis, that the real determinate was a purely social one, then in a sense we would be barking up the wrong tree with this program. I agree with this.

Mr. PETERS: What the consultant really is doing then is something which should have been done a long time ago. He is trying to decide what the free play of industrial development may be and from where it stems which is something that I think we should have decided a long time ago, if we do not know it, and I do not think we really do. In other words, why industry settles in certain areas rather than others. Is this his approach to it?

Mr. DRURY: I suspect he is going to largely confirm in a rather detailed way the assumptions that we have made and on which the program has been based and I personally would not expect much revolutionary new ideas to come out of this report.

Mr. FAULKNER: Has the consultant had an opportunty to visit the areas beyond Ottawa? Has this been a report largely composed as a result of discussions in Ottawa, or has he had a chance, for instance, to discuss the problems as viewed at a local level with industrial commissioners and such people?

Mr. W. J. LAVIGNE (*Commissioner, Area Development Agency*): To begin with, he studied all of the scientific literature on the problem and has combined his studies with field work. And I might say, that in conjunction with this study we undertook to survey the true effects of the program in relation to those companies that are taking advantage of it and those companies that are locating elsewhere than within the designated areas. In other words, we have surveyed both by mail and by personal interview, all of those companies that are locating under the programme in designated areas, and those companies that, after consideration, decided not to locate in designated areas, to determine just how effective the program is and for what reason they located where they did. This study, combined with the work the consultant is doing, should indicate to us what factors are important to companies when they are choosing a location.

Mr. FAULKNER: I cannot agree until I see the report.

Mr. LEBOE: I have a supplementary. Did you identify the areas that have not been favoured with the benefits in designated areas that you named; I think there are eight of them.

Mr. DRURY: Three N.E.S. areas and some contiguous counties and census divisions which tend to be smaller. Do you know which the three are?

Mr. LAVIGNE: Specifically I cannot answer the question but generally speaking they are the Gaspé peninsula, two N.E.S. areas in the Gaspé peninsula. (I think you represent Haliburton County, do you not.) I think Haliburton County may be another county that has not had any action, and the others are located in the west.

Mr. SCOTT (*Victoria, Ont.*): Haliburton County in respect of the lumbering industry is a sparsely populated area that is being excluded. Is any provision being made in your future program for the lumber industry in these sparsely populated areas.

Mr. LAVIGNE: Do I understand from your question that you want us to take into account the lumbering industry?

Mr. SCOTT: That is right.

Mr. LAVIGNE: Yes we do.

Mr. SCOTT (*Victoria, Ont.*): You do, I know, but in sparsely populated areas that the Minister referred to a short time back as being excluded from consideration with respect to an area.

Mr. DRURY: What I was talking about there was the northern tier of the provinces. The N.E.S. areas are based essentially on the inhabited parts of the provinces but as mentioned in our brief, some extend right up to the shore of the Arctic or the Northwest Territories. This program is not designed as a development program for those relatively uninhabited areas; that is what I had in mind there.

Mr. FAULKNER: It was my understanding that the Haliburton area was designated.

Mr. DRURY: That is right.

Mr. FAULKNER: And the incentives apply to the lumber industry in Haliburton County.

Mr. PETERS: I would like to get back to the—

The CHAIRMAN: Is that a supplementary question or is it a new line of questioning?

Mr. PETERS: A new line.

The CHAIRMAN: Do you want to go ahead now Mr. Latulippe.

(*Translation*)

Mr. LATULIPPE: Would the hon. Minister tell us if it is the Industrial Bank which gave the most funds to industry in designated areas?

Mr. DRURY: I do not know exactly but I suppose not. The Industrial Bank to which you refer has no charter specifically for those regions.

Mr. LATULIPPE: They receive the grants therefore from the industrial fund that you have constituted?

Mr. DRURY: Yes, it is.

Mr. LATULIPPE: If I remember well, this fund was only $50 million.

Mr. DRURY: If more money is needed we will get it.

Mr. LATULIPPE: You were talking about one and one quarter billion of investments; there is only $50 million in the fund.

Mr. DRURY: We asked Parliament for the necessary money for the investments from this $100 million fund, not $50 million.

Mr. LAVIGNE: Perhaps I could give some details to Mr. Latulippe for the difference between the figure quoted by the Minister and the $100 million in the fund. The figure of $1 billion means the investments that will be made by the company, it does not represent a federal grant which is much less of course because we pay only one third in grants.

Mr. LATULIPPE: The industrial bank at the present time has very high interest rates, and I have been told that it was almost impossible to apply to that bank.

Mr. DRURY: Perhaps this matter could be discussed privately.

(*English*)

The CHAIRMAN: Mr. Peters was next, I believe.

Mr. PETERS: I would like to ask another question on the Minister's report. He mentioned also the Georgian Bay project and a number of problems. This, I presume, is a joint effort of the Area Development Agency and the provincial government in Georgian Bay which would participate; is this right?

Mr. DRURY: I am not sure what you mean by "this." The economic study being undertaken by Queen's University to define and delimit the Georgian Bay economic region is a joint participation of the Ontario government. The designated area program in relation to the counties of Bruce—I cannot remember them all—is a federal government program in consultation with the government of Ontario.

Mr. PETERS: Could I ask then about the one that is in conjunction with the Area Development Agency of Ontario. We had better start further back. The federal government years ago did divide Canada into a number of development areas, regional development areas, something like 100 or 90 some areas, and each one of these areas in Ontario is designated by number.

Mr. DRURY: You are teaching us something.

Mr. PETERS: They are not used very much, but they have been kicked around recently by the officials particularly, and the areas are designated in a geographical boundary. I was wondering if Georgian Bay was one of these federal-provincial economic areas that were originally designated.

Mr. LAVIGNE: Are you speaking of the ten economic regions set out by the provincial government?

Mr. PETERS: Yes. They were originally federal, as I understand it, and Ontario had a number of them within its boundaries which they accepted just recently.

Mr. J. A. TEETER (*Deputy Commissioner, Area Development Agency*): These were developed by the provincial government and they may have been done in co-operation with the Dominion Bureau of Statistics, which has been working with the provincial governments in delineating economic regions both in Ontario and in Quebec; but to my knowledge the Ontario economic regions were originally drawn up by the provincial government.

The CHAIRMAN : I just wish to say it would be easier for the transcribers if when you speak first you identify yourself.

Mr. DRURY: Also to get close enough to the microphone to make it work. This is the only way the translator can hear.

The CHAIRMAN: I am sorry; I should have said that at the outset.

Mr. PETERS: Georgian Bay is one of these Ontario designated areas, is it?

Mr. LAVIGNE: I do not think, Mr. Peters, that Ontario has any designated areas as such.

Mr. PETERS: It is not that they do not have them. They have them but they do not do much with them.

Mr. LAVIGNE: They do have economic regions and they do have a Georgian Bay economic region.

Mr. PETERS: Yes, this is the economic region where Eastern Ontario is divided into one—

Mr. LAVIGNE: Yes.

Mr. PETERS: The Northeastern Ontario is one, and North western Ontario is one.

Mr. LAVIGNE: Yes.

Mr. PETERS: This is the area that the project is really involved in, in Georgian Bay, is it?

Mr. LAVIGNE: That is true.

Mr. PETERS: Is there a preliminary report out of this inquiry yet that is available to the Committee?

Mr. LAVIGNE: It is not ready yet, Mr. Peters. They did all the field work this summer and the final report is being prepared now. We should have it within 15 days.

Mr. PETERS: Then it will be tabled, will it?

Mr. DRURY: I cannot see any reason for not tabling it, if the Committee wants it. You are aware that the purpose of this is to see whether the delineation in effect made or claimed by the provincial government corresponds better to reality than the grouping of N.E.S. areas that we have chosen for the purpose of designation. In effect, the Ontario government has drawn a line in a certain area and said, this is a single economic region, a large related labour market, and we have drawn another line in another place representing a number of N.E.S. areas which themselves are supposed to, put together, form an economic region and a coherent labour market. It is unlikely they are both exactly right, and the purpose of this study is to reconcile these two approaches.

Mr. PETERS: This is really a private project as far as the Department of Industry is concerned, as well as the department of economics in Ontario, is it?

Mr. DRURY: In the sense of trying to define this particular ecnomic region, that is correct.

Mr. S. S. REISMAN (*Deputy Minister, Dept. of Industry*): As a pilot type of operation, we are interested in this concept of economic regions. It has already had some influence on our program, as the Minister explained in his statement, and we thought really it was worth while doing a little more professional work in this field; and so we arranged to have Queen's University, some professionals there, undertake this task. It will give us a lot of information about the so-called Georgian Bay economic region, but it will also begin to indicate some principles, and some rather more generalized criteria, to help us in applying these concepts elsewhere in Canada. It has to be looked at in that way.

Mr. PETERS: I might say to the Minister I represent a riding in Northern Ontario, and we are vitally interested in this, because it is going to, I am sure, produce the kind of information that we think should be used rather than the narrow bounds we have been using, the ones that do not appear to affect areas like mine, and I am sure all the members from Northern Ontario. I think that this is representative also of the Maritimes as well. Anything that is done in this field I think is worth while.

The last question that I would like to ask, and then I will turn it over to someone else, has to do with a designation that we have not used much. There is one that is based on the decline of employment, or the slow growth, rather than a National Unemployment Insurance figure. In our area, it is not so much that we have unemployment because we do not have any. We are within 350 miles to 400 miles of Toronto. Anybody graduating with a high school education or more in a technical sense, or higher academically than Grade 12, has no opportunity at all of getting a job in Northern Ontario. There just are no jobs available for them. If they had no education at all, we could supply them with labourers' jobs, but for anything above high school education there is no

economic advantage in being in Northern Ontario, so the young people leave. Obviously these figures are not reflected in the National Unemployment figures, because as you said you have found in other areas, if jobs are not available students do not register. And yet where your normal population increase should be providing work for that population, it is not, in effect, in Northern Ontario, and I think this is true in all parts of Northern Ontario. The system that is being used of the slow growth area is not measurable in terms of any criteria that will really apply. If you use the figure of income and exclude farm population you end up with one salesman making $60,000 in Kirkland Lake, and this raises the miner's rates in Kirkland Lake on the average by a $1,000 a salesman.

Mr. DRURY: I would like to meet one of them, then I might become a salesman.

Mr. PETERS: In going over the figures of your department we found there are several people in this category that have raised it very highly. Our teaching profession is almost triple the wages of many of the employees. What work is being done in establishing this slow growth criteria that results in—and as I suppose this does not only apply to my area—it applies to any area that is contiguous to an industrial area, and I am thinking of the places you mentioned in your report of Fredericton, St. John's, any industrial centre in a slow growth area. The people that leave that slow growth area always go that industrial centre wherever it is and there is a tendency to congregate in those centres.

I am not prepared to argue about whether or not you are right in not designating them. I think probably you are right except that it eliminates the possibility of designating many of the other areas. There are just problems and I would like to know whether you have done anything on them or not. In Northern Ontario, I met with a bunch of municipal people the other day and they were very much in favour of either doing something about the slow growth aspect or getting rid of the whole programme. I think this is a dangerous way of thinking except that they believe—I will use this as an example, Timmins was designated and Timmins has no advantage of designation, no industry went in there because of designation. Industries that looked at Kirkland Lake, knowing that Noranda on one side and Timmins on the other were designated, would come into that area and say we are not designated, therefore we are not going to put a plant in here. They were not going to put it in Timmins and they were not going to put it in Noranda, and so they did not put it any place. There was a limiting factor rather than an advantage in this. If there had not been any designation at all they might have considered it on its own merits. If the whole area had been designated, then obviously we would have had the plant. Has any work been done on the negative side of designation, or contiguous areas to designated areas?

Mr. DRURY: We hope that the survey conducted by the consultant we mentioned will bring out some of these things, and either substantiate or refute them.

The CHAIRMAN: I see that it is now past 12.30. I have three more people who have indicated they want to question. Is it your wish to continue past the hour, for a while, or to adjourn.

Mr. O'KEEFE: I have only one question.

Mr. SALTSMAN: I will keep my questioning short so we can conclude.

The CHAIRMAN: All right: on my list is Mr. Saltsman, Mr. O'Keefe and Mr. Faulkner. You spoke a while ago, Mr. Faulkner.

Mr. FAULKNER: All I wanted to do was to pursue this business of the new concept of the economic regions but that could probably wait until we have a discussion on criteria in depth with the officials.

The CHAIRMAN: Very well: in that case the next one would be Mr. Saltsman and Mr. O'Keefe. Mr. O'Keefe said he just had one question, Mr. Saltsman said he was going to contain himself.

Mr. SALTSMAN: Let me first of all say how helpful I think your coming down here has been, and your frank presentation of the obvious difficulties in an area development program. There are some obvious conflicts of difficulties there, and I am very pleased to see it come before the Committee so we can discuss it in that particular frame. The problem that disturbs me, and I presume everyone else who deals with this program, is to what extent you operate an area designated program in order to help correct the social imbalances that occur in certain areas, and to what extent you trade this off against long-term productivity to make sure you do not induce industries to come into areas that perhaps do not have the ability to sustain them and make them productive over the long term. The question of criteria I think is essential to what we are talking about; in other words, the basis on which we work a designated area program. I think it is fairly obvious that almost everyone feels that we have to have some kind of a program of this type. The question is, how do we determine the criteria for designation; what inducements do we use in terms of getting industry in there, and how do we evaluate their long-term prospects. Now, it seems to me, and I am just thinking out loud, and I would welcome your comments on this, that this business of taking national standards, whether they be unemployment insurance standards or whether they be taking regional standards and applying them across the whole nation as some kind of a blanket program, although there are some obvious administrative advantages to this approach, perhaps is not going to fill the bill in the sense that what may work in one province, or what may be suitable inducement in one province, will not be applicable in another province.

I am glad to see the study is going on; it might help in this particular way, I would like to ask you a number of questions. First of all, have you any idea how many of these companies would have gone into these areas without designation or without inducement? Secondly, what has been the cost to the federal treasury of these inducements in terms of taxes that we might have obtained elsewhere? This is going on the presumption that they probably would have located somewhere in Canada under any circumstances. The companies have gone into designated areas, so it is really a question of moving them from one area to another area within the national context. What other criteria have you examined as a basis of designation? For instance, have you examined the idea of saying to the provinces, instead of us setting standards of criteria we are prepared to make grants to you to operate as you see fit. In other words, you can create the designation within your own province based on your own needs, and this might vary from province to province. This might overcome some of

the difficulties for instance of the Atlantic region where there seems to be heavy pressure for the development of growth centres, like Halifax and other areas of this type. This is also the problem of Quebec where they are concerned about a labour mobility program taking their people out. They are again concerned about growth centres rather than spreading industry uniformly around the province. I think I will leave it at that since I promised to be fairly short, but this whole business of criteria, I think is almost central to what we are talking about, to find a correct basis, a useful basis, on which to develop this.

Mr. DRURY: I apologize, Mr. Chairman, I have forgotten the first question.

Mr. SALTSMAN: The first question was, Mr. Chairman, how many of these companies might have gone where they went anyway. In speaking to some of them I came to the conclusion that they planned on going there anyway, and they found that the inducements were a fairly nice arrangement.

Mr. DRURY: There was a question prior to that I think. Let me talk to that one. Really what you have in mind is what has been referred to as a windfall. They were going to do it anyhow and the incentives operated just to make it easier; that is all. How many of these? It is impossible really to answer this, because you have to examine in some depth the motives of boards of directors or executive committees or the shareholders of the group and this is a very difficult task indeed. One can only listen to what they say and accept it as being plausible. Sometimes you will get the real reasons and sometimes you will not, so it is quite impossible to say, whether there had been an incentive or not, this particular industry would have established there at that time, and this is important, at that time in any event. I should point out, although it was not made clear, in my opening remarks, that in addition to persuading manufacturing and processing industry to locate in areas of high chronic unemployment rather than in areas not as disadvantaged, there is also an intention to bring about earlier economic development of an area, a designated area, than perhaps otherwise would be the case. We have one instance where, as a consequence of a lot of cross-examination, we were satisfied that a large pulp and paper mill was established some years before it otherwise would have been, if the ordinary economic forces had been allowed to operate. But if you can only go in this one place, obviously a company has limits and they cannot set up their pulp and paper mill in a designated area unrelated to where their limits are. They have no choice of location, but they have a choice of timing. In one instance, as I say, I can recollect it was clear that by reason of the incentive this was put in place some 3 or 4 years before normal economic projections would have brought this about.

Now there may conceivably be what you call windfalls or what I call windfalls. We try and avoid this by setting a series of cut-off dates. Every time the incentives are changed they only apply in relation to investments which have not been committed. If there is any evidence at all of an investment being committed before the date in which the incentives become effective, then they are not allowed. The assumption being in this case that they were already going to do it anyhow, so you do not need to provide them with, at taxpayer's expense, an incentive to do what they were going to do anyhow. As to an actual measurement, I do not think this is at all possible to make but we try and guard against it happening as best we can.

Mr. REISMAN: I was just going to add, Mr. Minister, with your permission, the point that there is another way in which we have attempted to avoid the windfall effect. You will recall that the incentive in the designated areas available for manufacturing and processing activities does not extend to mining, harvesting, the primary kind of activity that you can only perform where those resources happen to exist. I think it is fair to say that the program and the incentives have been defined in such a way that the only kind of activities that benefit from this grant are activities which can be located elsewhere than in a designated area.

For example, if you take a mining activity, there is no question that you have to go to the site of the ore to dig it out of the ground; therefore, mining in the sense of taking the ore out of the ground does not benefit from this program.

Then there is the question of what you do with the ore. The ore can be sent down to some other part of the country. In order to stimulate, in order to provide an incentive to locate your processing activity, the doing of something with the ore in the designated area, we do apply the benefit to those activities.

In various ways, and as the Minister has indicated, and in this way, we try to keep the windfall effect to an absolute minimum. Whether you can avoid it entirely is difficult to say. I doubt whether you can avoid it entirely, but we do try to organize it in such a way that we will get value for the taxpayer's dollar in the achievement of the objective of the program that we have set out to obtain.

Mr. PETERS: Could I ask a supplementary question here. In this case then, would there not be an advantage in extending this almost across the board to an industry in an area, looking at it from the national interest? Would it not be of interest to do this type of development in an area where industry could be encouraged to do this processing, where otherwise it would not be done?

Mr. DRURY: That is what we are doing.

Mr. PETERS: No, you are only doing it in designated areas. I know you are doing it in designated areas, but I am saying, as far as the Department of industry is concerned, would it not be to the advantage of the nation to do this across the board?

Mr. DRURY: In every area in Canada?

Mr. PETERS: In every area.

Mr. DRURY: What you are suggesting is a form of government grant, with the establishment of new manufacturing and processing facilities.

Mr. PETERS: That is right.

Mr. DRURY: Everybody. This would have to come out of corporation taxes, so the fellows who would be getting the grants would be turning around having to pay them.

Mr. PETERS: Eventually, it equalizes though.

The CHAIRMAN: They would have to have a new program of designated areas.

Mr. REISMAN: I think, Sir, what the question is pointed to is whether this country should have a program of a kind that stimulates industrial activity generally. They have that kind of program in some countries. In this country, it does appear from our history, and particularly contemporary events, that we seem to be able to get a pretty good level of activity to employ almost all our people, to get the gross product up to a good rate; indeed we are taxing our total resources in the country today.

Mr. DRURY: Indeed the last budget was designed to slow this down.

Mr. FAULKNER: Mr. Chairman, it seems as though we are getting on something very interesting and I am just wondering now whether we should not have another session on it, rather than cut it off too sharply because there are some very important matters being raised, namely the question of encouragement of industry generally.

The CHAIRMAN: We have a meeting scheduled for Thursday at 11 o'clock and we could continue with the Minister if the Minister could come back on that day. I think that if we could have the Minister for another day we could then go on to the officials if you so desire. It is ten to one. I think that there are other questions that hon. members would like to direct to the Minister so perhaps we could end the day. Could you come back on Thursday?

Mr. DRURY: I am not sure about Thursday. I have not got my calendar here.

The CHAIRMAN: If not Thursday, we could come the following Thursday.

Mr. O'KEEFE: Mr. Chairman, I wonder if I could ask my question.

The CHAIRMAN: You have one question? Right, go ahead, Mr. O'Keefe.

Mr. O'KEEFE: I wanted to ask you, about this $1,250 million that you mentioned. How much of that is private capital?

Mr. DRURY: Is private capital? This is private capital. Included in this billion and a quarter is no public, in the sense of federal government, provincial government or municipal government, money, none; it is all private capital.

Mr. O'KEEFE: Thank you.

The CHAIRMAN: You had a document you wished to table?

Mr. DRURY: Everybody is getting a copy of the statement and this will be included in it.

The CHAIRMAN: This will be tabled as an appendix and each member will have a copy of it. Subject to whether or not the Minister can come on Thursday, and I think we can probably ascertain that today, Mr. Minister, we will meet in the same place at 11 o'clock on Thursday. If the Minister is unable to come on Thursday, then perhaps we might not meet at all on Thursday and wait until next week. However, we will have a meeting of the steering committee should that contingency arise.

Mr. PETERS: I was going to ask about a meeting of the steering committee because it seems to me that if we are going into it in any depth we should be making plans to invite the provincial governments to make a presentation. Certainly the harmony has not been too good in some cases in relation to the

designated areas and the criteria. Also I would like the steering committee to give some consideration to the matter of inviting municipal and other interested areas. I am thinking in particular of the ones that Carl Legauld and I are on representing Northern Ontario, in which the Prime Minister made the suggestion that a committee be set up to study the criteria. They have done considerable work on this as far as Northern Ontario is concerned, and I am sure they would like to make a presentation.

The CHAIRMAN: I will see to it that we will have a meeting of the steering committee before our next Committee meeting to discuss this and other relevant matters. So we are adjourned until the call of the Chair.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. RICHARD CASHIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11

TUESDAY, NOVEMBER 8, 1966

Respecting

The subject-matter of the designated area programme and the criteria thereunder.

WITNESSES:

he Honourable Charles M. Drury, Minister of Industry and Minister of Defence Production. *From the Department of Industry:* Mr. W. J. Lavigne, Commissioner, *Area Development Agency.*

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STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Richard Cashin

Vice-Chairman: Mr. Ovide Laflamme

and

Mr Addison,
Mr. Andras,
Mr. Beaulieu,
Mr. Bower,
Mr. Davis,
Mr. Faulkner,
Mr. Forest,
Mr. Fulton,
Mr. Goyer,
Mr. Grafftey,
Mr. Hales,
Mr. Hopkins,
Mr. Langlois (*Chicoutimi*),
Mr. Latulippe,
Mr. Legault,
Mr. McCutcheon,
Mr. O'Keefe,
Mr. Peters,
Mr. Reid,
Mr. Saltsman,
Mr. Scott (*Victoria (Ont.)*),
Mr. Sherman—(24).

(Quorum 9)

Fernand Depatie,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, November 8, 1966.
(13)

The Standing Committee on Industry, Research and Energy Development met at 11.20 a.m. this day. The Chairman, Mr. Cashin, presided.

Members present: Messrs. Addison, Cashin, Forest, Hales, Hopkins, Laflamme, Legault, Peters, Reid, Saltsman (10).

Also present: The Honourable Charles M. Drury, Minister of Industry and Minister of Defence Production.

In attendance: From the Area Development Agency, Department of Industry: Messrs. W. J. Lavigne, Commissioner; J. A. Teeter, Deputy Commissioner; Gordon Haase, Senior Economist; E. E. R. King, Economist. *From the Department of Manpower and Immigration:* Mr. F. V. S. Goodman, Special Assistant to the Deputy Minister.

The Chairman opened the meeting and made reference to the visit which Members of the Committee and other Members of Parliament made to the National Research Council (Montreal Road Laboratories) on Tuesday, October 25, 1966. He indicated that, on behalf of the Committee, he had expressed thanks to the National Research Council for a very interesting and informative visit.

The Committee resumed consideration of the subject-matter of the designated area programme and the criteria thereunder.

The Minister expanded an answer given to Mr. O'Keefe at the meeting of October 18, 1966. He was then questioned, assisted by Mr. Lavigne.

At 1.15 p.m., the Committee adjourned to the call of the Chair.

Fernand Despatie,
Clerk of the Committee.

24759—1½

EVIDENCE

(Recorded by Electronic Apparatus)

TUESDAY, November 8, 1966.

(11.20 a.m.)

The CHAIRMAN: Gentlemen, we have a quorum. At our last meeting you will recall that we had the Minister with us and at that time he gave us a detailed and comprehensive outline of the Area Development Agency.

At our last meeting we also approved accepting an invitation from Dr. Ballard of the National Research Council. We had ten or twelve members who were able to go to the National Research Council. We toured the Mechanical Engineering Division under the directorship of Dr. D.C. MacPhail the National Areonautical Establishment under Mr. F.R. Thurston, the Building Research Dvision, under Dr. R.F. Leggett, the Division of Applied Physics under Dr. L.E. Howlett and the Radio and Electrical Engineering Division under Dr. D.W.. McKinley. Then we were treated, as you know, to a nice lunch. I have therefore taken the liberty, on behalf of the committee, of writing a thank-you note to the National Research Council. I am sure that all members who were able to attend found this a very interesting and informative morning.

We have the Minister with us again today. He has had to leave the cabinet committees to be with us. I think, therefore, we might pick up where we left off at our last meeting. At that time we had asked some questions of the Minister and I believe Mr. Saltsman was asking questions. I do not know whether you had completed your questioning, Mr. Saltsman?

Hon. Charles M. DRURY (*Minister of Industry*): Mr. Chairman, if I might just interject, the last question asked was by Mr. O'Keefe. I am sorry that he is not here today. He asked me how much of the $1,250 million in capital in prospect for this program was private capital. I think, perhaps, I was a little too didactic in my answer, and I would like to say that the figure of $1,250 million is the figure advised to us by the investors in respect of proposed capital investment in new buildings, machinery and equipment in designated areas.

I should have stated that any direct federal government grants are included in this estimated figure, and that we require at least a matching level of equity on the part of the applicants. While we may not always be aware of provincial and municipal government support in the remainder of the financing, I would suspect that in most cases the balance would in fact be mainly private capital.

Mr. SALTSMAN: Are we restricting our questions to area development?

The CHAIRMAN: Yes: this is the matter which has been referred to the Committee, and with which we are dealing today. I feel that this is a broad enough subject.

Mr. SALTSMAN: We will stay with that problem, then.

The CHAIRMAN: I would think that would be the wish of the Committee.

Mr. Saltsman: I think we pointed out at the last meeting that in the area development program there will de difficulty in terms of deciding what the criteria should be, and it seems to me that the real question is whether we can find automatic criteria, or criteria based on statistics, to solve the problem of area development, or whether we are going to have to do specific planning for areas, where the government itself decides, after an analysis of the area, what type of business really should go in there and which one offers the proper incentives for that kind of industrial development to take place, on a more specific basis, rather than laying out a general framework and then hoping that, within this general framework, industry will respond.

I would appreciate your comments.

Mr. Drury: Well, Mr. Chairman, an argument certainly can be made for an analysis by public officials followed by, if you like, an optimum solution in respect of industrial development arising out of that analysis and its implementation specifically by government, or governments. This, of course, is the approach made by the ARDA program. It is an analysis, conclusions reached as a consequence to analysis, and a specific program designed to meet the specific and, very frequently, quite different conditions obtaining in different areas which are brought under scrutiny.

As I tried to explain at our last meeting, in constitutional terms this involves, of necessity, a joint federal-provincial responsibility and a joint federal-provincial program. This particular program is directed, in its essence, not towards industrial development, *per se*, or economic development, *per se*, but to the relief of chronic, high-level unemployment. Because unemployment has been accepted in Canada as being a federal government responsibility, there is no necessity for organizing joint federal-provincial programs.

I think perhaps, if we bear in mind that the target aimed at always is not economic or industrial development as such but high chronic unemployment, then clearly areas which do not suffer from high chronic unemployment have to consider some other solution. This is the point I have been trying to make.

We have not, in respect of urban areas, or industrialized areas, a counterpart to ARDA which is basically designed to attack the problems of lack of economic development or economic retrogression of rural areas. We have not a counterpart to this in the industrialized or urban areas of Canada.

Mr. Saltsman: Mr. Drury, this is what has already struck me as difficult about this whole problem, that it is based on the concept of unemployment. It seems to me that we could far more fruitfully pursue this problem if we based it in terms of the actual development of the area. It is called an area development program, yet it is really not an area development program; it is a means of trying to ameliorate the unemployment situation.

It seems that this is where it falls flat on its face, because I think there can be situations where you have a high level of unemployment, and because of the nature of the unemployment and of the area itself, perhaps the answer is an educational and mobility program; and, therefore, unemployment is a bad criterion on which to base area development.

Unemployment also seems to be a very difficult thing to define. Many economists are saying now that there are things such as hidden unemployment

and different kinds of unemployment. You can get a situation where you have a good deal of employment for males in an area and no employment opportunities for females. They do not show up in the statistics. Therefore, the program is inadequate in that it is not a development program. It is merely an attempt to correct some glaring unemployment problems.

I would like to see it an area development program. I think this is what we really need in Canada, more along the lines of ARDA. I think ARDA has done quite a good job. It has been slow, but it has taken the proper approach. For instance, if we look at areas such as the maritimes, I do not think basing a program on the criteria on which we are doing it now is going to solve the problem of the maritime provinces. It is going to lead to depopulation, underemployment, subsidization and all sorts of things.

I think that there should be a complete assessment of the potential of the area and that a decision should be made on the kind of industry that can survive, over the long run. I feel that is the kind of approach which has to be taken, and I am just wondering whether your department is giving any consideration to a real development program rather than just to an attempt to clear up unemployment problems as they occur?

Mr. DRURY: I would like to point out, Mr. Chairman, that in respect of the maritime provinces, or the Atlantic provinces, there is in being, and operating with some considerable success, an area development agency whose task it is to accomplish just the things that Mr. Saltsman has been suggesting. It is called the Atlantic Development Board. This is its function, and the *modus operandi* is as you have outlined.

In respect of the Atlantic provinces, it probably would not be too helpful to have another federal-provincial agency moved in to do precisely what the Atlantic Development Board is now accomplishing.

Mr. SALTSMAN: Is there not a conflict in objectives between some of the things that have been undertaken by the Atlantic provinces and by the federal government? I am thinking of the study which indicated that the major areas, such as Halifax, Saint John and so on, should be included in the designation and that a total area development concept should be created where industry would be more inclined to move into the areas which are already developing, and then a mobility program, perhaps, used to accelerate movement within the provinces rather than on a national basis; that these areas offer the best prospects for development in the maritimes rather than the kind of thing we are doing now, potting an industry here and there. Is there not some conflict between the federal government's attitude towards the situation and the studies which have come out of maritimes research?

Mr. DRURY: Mr. Chairman, the Atlantic Provinces Economic Council has sponsored and endorsed a report which, in essence, advocated support of the growth centre theory.

The CHAIRMAN: Pardon me, is that the Wilson report?

Mr. DRURY: Yes, Professor Wilson from the University of Glasgow. The Atlantic Development Board, which is to a large extent an arm of the federal government which is financed by federal funds, is giving effect to a large degree to the recommendations for Atlantic development as recommended by Professor

Wilson. The Atlantic Development Board is providing in the growth centre areas the kind of industrial infrastructure needed to encourage industrial development. Along with this, the federal government has, as you know, a mobility program which fits in very neatly with the Atlantic Development Board's development projects; But there do remain, within the Atlantic provinces, some areas where unemployment in national terms is unduly high. If relief for this high unemployment can be provided by means of the energy and initiative of entrepreneurs, surely we should take advantage of this and not say, in a clannish sense, that we have decided to run Cape Breton, for instance, into the ground, even though there are people who wish to invest in, and take advantage of, such favourable factors as there are in Cape Breton, and provide employment opportunities for the people who clearly want to stay there. Now, the Area Development Agency program does this and it does not necessarily exclude the general approach recommended by Professor Wilson.

Mr. SALTSMAN: It excludes it in the sense that these areas are not designated at present, and industry cannot make a decision to go either to Cape Breton or to Halifax if it wants to take advantage of the incentives offered. It does not have this choice.

• (11.40 a.m.)

Mr. DRURY: It cannot have it both ways. It certainly has a choice.

Mr. SALTSMAN: It still seems to me that the difficulty of trying to cure unemployment with area incentives is not, in the long run, as good an approach as a direct planning approach to the problem, or an analysis of the situation. Although I do not agree with everything that came out of the Donald Report, I am thinking of the kind of approach that was taken there to the problem of Cape Breton. There is always the danger that industries will be induced into an area for short term benefits where they do not have any prospects for long term survival. This will have a serious effect on any attempt to increase the general productivity in the whole nation.

Let me give you an example of the sort of thing of which I am thinking and see what sort of objection would be raised to this type of an approach. The defence requirements for uniforms are very extensive. The manufacture of uniforms are very extensive. The manufacture of uniforms can be conducted anywhere. The skill requirements, the requirements to train people to manufacture these types of goods, and the demand to be anticipated, for instance, can be scheduled, and the capital equipment necessary for the production of uniforms is relatively small. Why does not the government take some of its defence production procurements of this type and srart to feed them into the maritimes? In other words, establish crown corporations for the production of these. They do not necessarily have to continue to be crown corporations; they could be sold at a later date, if necessary; but you could start seeding in this particular way, where you have an item which is calculable and where you know what the demand for that item is going to be.

You can use this in various ways. For instance, I understand that in parts of northern Quebec, there are centres which provide employment only for males, in lumbering, mining and this sort of thing, and that serious social problems are created because the female population has to leave and go to work elsewhere because there just is no employment for them. This creates social problems in

areas of this type. You find one city with an excess of females and another city with an excess of males.

The government, by taking direct planning action through the establishment of crown corporations after an analysis, it seems to me, could help out considerably in these areas. These are items which could be diverted.

For instance, we could also make an analysis of the kinds of things which are imported into a region because of political difficulties, for instance, in the moving of an established industry from one area to another area. There are many of these regional imports which perhaps we should analyze to see if they cannot be manufactured in some of these areas by creating the infrastructure, as you say, to manufacture them in these smaller centres—things such as motors and pumps, which do not have high transportation costs.

Is your department giving consideration to a direct planning approach of this type?

Mr. DRURY: We try to engage in indicative planning—I think that is the term for the art—and to take some of the steps you have suggested, namely, to produce an analysis of imports and reach the sum conclusions of the possibilities of Canadian manufacture of these imports or even regional imports within Canada—it could be regions with the possibilities of manufacture—and some judgments made as to the preconditions which have to be met in order to make this economic. This we provide to industry and to likely entrepreneurs, in the hopes that the free enterprise system, which has been the foundation and continues to be the foundation of our Canadian growth, will take these up and implement them.

We have had in the Department of Industry some success in getting action taken on these import analyses, in fact, the manufacture in Canada, where it is economically advantageous, of items which hitherto have been imported.

Going the next step further, the establishment of crown corporations and setting these up as government owned and run businesses, we have not contemplated. This appears to be, in effect, a denial of the efficacy of the free enterprise system. I do not think we have yet reached the stage where this kind of judgment would be warranted.

Mr. SALTSMAN: I want to ask one final question and make a short comment on that.

It is really not a denial of the free enterprise system, according to my concept. It is a recognition that the free enterprise system has a tendency to follow certain patterns—and sometimes they are historic patterns—and that they really cannot take the kind of chances or take the longer range points of view that perhaps the government can, especially for social purposes. This is not criticism of the free enterprise system; it is just recognition that the government sometimes has to supplement the free enterprise system. This is why I suggested crown corporations in this regard. In the matter of uniforms, why should an enterprise leave an established location, where it has much of its structure built up, in order to try to take into account the social needs of a certain area? Its terms of reference are different from those of the government.

My final question is this—

Mr. DRURY: I would like to make a comment, Mr. Chairman, if I may, and ask Mr. Saltsman to ask himself how he thinks Mr. Manning would react to this kind of a program initiated by the federal government?

Mr. SALTSMAN: I think it would be a very difficult situation. I am sure that any time you try to move industry, from a wealthy area, or even from an area which is suffering from over-employment, there is going to be quite a fuss kicked up. I am not denying the political difficulties involved. This is why I am suggesting that perhaps we should be looking to imports where the industries, or the particular products, have not become too firmly established, and where, therefore, the political difficulties might be less. I know the problems.

Mr. PETERS: Mr. Drury is using as the example a very wealthy area. So far as the province of Alberta is concerned, its expansion rate in some regions is far in excess of the national average. Would Mr. Drury suggest that this would be true with Mr. Stanfield, who is also a conservative, in the planting of an industry in the maritimes, or in Nova Scotia, which would meet the needs of a depressed area in that province? Or would Mr. Johnson be opposed to the federal government's putting in a large plant in northern Quebec to compensate for the lack of growth in that area? Does Mr. Drury see the same objection as in the example which he used, where there is a rising economy and obviously not a need for this?

I think that the concept, certainly as between political parties—and we, as pseudo-socialists, are felt to be on one side of the argument—is not necessarily so. The introduction of government-sponsored industry is not necessarily an end but a means towards an end. I think that Mr. Saltsman will agree with me that if the industry is satisfactory we have no objection to its being operated under bases which have been used in other countries where the the industry has started and where there is perhaps a ten year period, in which success is not assured. But once its success is assured, we are not really opposed to its being turned over to someone to operate.

Is there not a difference in the type of areas you choose? For instance, the situation in northern Ontario and northern Quebec is such that we should be at the economic stage where you change from a basic primary industry complex to secondary industrial development. We have seen this happen anyway in northern Ontario and northern Quebec in the plywood industry for instance, where, for the first time in any of the northern regions, women are being employed on a large scale. In the plywood plants, the employment picture is about one-third women; this never was the case before in any industry. Is it not this kind of industry in which the government could give some leadership?

Mr. DRURY: If you take the case of Ontario, obviously the displacement in the case of Ontario has to be from southern Ontario to northern Ontario.

Mr. PETERS: What do you mean by "displacement?" I am thinking of all the young people who leave northern Ontario. We have an elderly class of citizens; there are no young people.

Mr. DRURY: I am talking about displacement of industry. There is really no where else in Canada where there are any large pools of either existing or prospective industrial development. Southern Ontario is the largest pool of both existing and prospective industrial development.

● (11.50 a.m.)

Mr. PETERS: By the natural pattern which has been established, this is true.

Mr. DRURY: If this is correct then this, I suggest, follows the philosophy of Professor Wilson. That is the way things should be, according to Professor Wilson.

Mr. PETERS: Mr. Chairman, when I came to Ottawa as a former miner, and connected with the lumbering industry for a short time, I was of the opinion that governments could solve this problem fairly easily, and that probably even industry could solve it very easily. I was surprised, when I talked to attaches from some of the embassies, including Germany, when I heard that their criteria for establishing industry was not on the basis of the concessions that you give, not necessarily on the basis of the municipal concessions, or even the social concessions, but was on the basis that the major portion of the product must be consumed in the local area. This is really why business goes to Toronto, and it is not entirely because of the service industry which surrounds it which, obviously, in many industries is necessary. It was their concept that at least 85 per cent of the product must be consumed in the area, and they did not take into consideration any economic factors other than the consumption.

If this is always the criterion that is used, and it appears to be—and I presume Professor Wilson agrees with that concept—then industry will be developed only in those areas where industry does not now exist by a process of evolution which moves the fringe a few miles beyond the centre of consumption. Toronto, for instance, originally was the only place in Ontario where any major development was taking place in an industrial sense. If you will remember, run-away plants came from Windsor, which was another limited production centre. The run-away plants came to Orillia—which was considered to be a long piece beyond the fringe—mainly on a wage condition, and now the fringe is beyond Orillia; it is up to Barrie and Owen Sound, to some extent. This evolution will take place and that fringe will keep moving back as the population increases. Is this the way we want industry to develop? Is there not some government guidance which is going to have to take into consideration, as I think Max was saying, the social problems which develop in the country, where governments can play some role in developing industry in slow growth areas to maintain a balance of growth across the nation. This, obviously, will involve government direction. I think the only difference of opinion is how you get this government direction. The Area Development Agency, by designating areas, took the unemployment picture as a criteria.

Mr. DRURY: I do not want to interrupt, Mr. Chairman, but they did not take it as the criteria. You see, this is objective. This is the point I keep trying to make that you cannot change the objective of the program simply by changing the criteria. Until there is agreement on changing the objective, then discussion of the criteria is a little irrelevant, I suggest, unless the present criteria in terms of measurement of unemployment is faulty. Now, it is not perfect and we are trying hard to get our statistical base on a surer foundation than it now is, I do not deny this. We are continuously addressing ourselves to better methods of measuring unemployment whether it be registered, unregistered, concealed or whatever it may be, but it is still unemployment. I agree that there is a large field in this country to be tackled in equalizing, to some degree, the unevenness

of regional economic development. This, however, can only be done under the terms of our constitution as a joint federal provincial program.

Mr. SALTSMAN: Mr. Minister, for a long time I, and many other people, were concerned only about unemployment because unemployment was the great glaring inequity which existed in this country, but, in recent years, I think we have made some strides in terms of knowing how to handle unemployment, how to create demand which has a tendency to reduce unemployment even in areas which have traditionally been depressed. Should not the new criteria for government be one of productivity, in terms of increasing the total wealth of the nation and using all our resources to the greatest advantage—and, this would include a reduction in unemployment because unemployment is a waste of our resources. I mean that we should take a broader look at the whole problem than just what we have been doing in the past, and to use this as the new criteria to try to provide the program around this concept.

Mr. DRURY: I am heartily in agreement with a new program, having as its basis the improvement of productivity in Canada, and this is one of the main tasks to which the Department of Industry as a whole is addressing itself.

Mr. SALTSMAN: I wanted to ask you a question regarding the gas pipe line which is now going through the United States and how it affects area development. We have heard arguments about the lower initial capital cost because of it going through the United States instead of going through northern Ontario, but it seems to me that we are not assessing this thing properly. There are figures to indicate that the advantages of a pipe line in Canada, in terms of assessment for the municipalities and in terms of employment opportunities which it will provide, are such that we should have given very serious consideration to this pipe line going through northern Ontario. We seem to be taking one attitude with the pipe line, saying that for the sake of 5 or 6 per cent initial capital cost advantage let it go here rather than somewhere else, and then we are going to have to face a problem of what we do with an area which is not developing properly. It seems that we could have solved this problem by having the pipe line go through northern Ontario.

I think there is sufficient indication that the first pipe line which went through there certainly gave a tremendous boost to the whole area and perhaps raised it in a way that no other measure had ever raised it before. This kind of an outlook should have been taken with the pipe line, and I am just wondering whether your department was called in and consulted when the decision was taken on where the pipe line should go.

Mr. DRURY: Yes.

Mr. SALTSMAN: And what was your conclusion on that?

Mr. DRURY: In favour of the Great Lakes proposal, the construction of the pipe line through northern Ontario—I suppose you could call it, middle Ontario —or northwestern Ontario.

Mr. PETERS: For this argument let us leave it northern Ontario.

Mr. DRURY: In economic terms—it is really middle Ontario—

Mr. PETERS: Let us leave it northern Ontario, north of North Bay.

Mr. DRURY:—first, in terms of construction effort, which was quite a major task and involved a great many people, although construction needs are transient; secondly, there were the continuing benefits of which, perhaps the most important was the availability of natural gas for industrial development along the pipe line or in relation to its branches. Latterly, the demands of southern Ontario have been such that they could not be met by the 30-inch line through northern Ontario, and additions were required.

Trans-Canada Pipe Lines have made very extensive surveys as to where and how this looping, as it is called—to increase their transportation capacity—could be done, and have reached the conclusion, and convinced the Energy Board, that the most economical way would be through the United States and reentering Canada.

One of the considerations, of course, was financial. Another very important consideration was the availability at some place in the United States—I forget the name of the place now—of a very substantial underground storage capacity which was not available in northern Ontario. This storage capacity is important to the economics of the line, as gas could be transported on a continuous basis and stored, pending peak loads later on.

The economics of looping through northern Ontario were less favourable to present construction in northern Ontario now than going through the United States. I may point out also—you were talking about northwestern Ontario—that the United States loop will also provide gas to Sault Ste. Marie, which otherwise would have been denied it and which, after all, is still in Ontario.

Mr. PETER: It is only 80 miles from the line now. Gas is back into Elliot Lake, which is only 80 miles from Sault Ste. Marie.

Mr. DRURY: Well, I am told that this makes gas available to Sault Ste. Marie, which otherwise would not have been done. I suppose it would not have been done for economic reasons.

Mr. SALTSMAN: The question that keeps occurring to me is why do we have to have Trans-Canada in the United States? I understand that Northern Natural has indicated it is prepared to take care of some of the demands in southern Ontario, using Canadian gas, or making arrangements to use Canadian gas. There is no question about Canadian gas not reaching southern Ontario markets almost immediately, almost faster than we could do it with Trans-Canada. This would permit Trans-Canada to concentrate on that northern loop and we could keep that within Canada.

The disturbing thing about this is that by the integrating our pipe lines with those of the Americans it is going to make it extremely difficult, it seems to me, make an ultimate decision about the use of our resources if those resources become rare. I think this problem would not have occurred to the same extent if we did not have a Canadian company in the United States.

I think, as the years go by, that the Canadian company will integrate with the American company because this has been the pattern, and they will work out arrangements among themeslves—and it is going to be very, very difficult, as some people have suggested, to turn off the tap at Emerson once this kind of development takes place. We could have solved the short-run problem in terms

of delivering gas to southern Ontario at the time we concentrated on the other aspect of bringing the line around through northern Ontario.

Mr. DRURY: What you are suggesting is that southern Ontario be prepared to depend for its gas on a wholly American carrier.

Mr. SALTSMAN: Can it not depend for its gas on a wholly American carrier? Is there any guarantee that a Canadian carrier is going to be any more benevolent than an American carrier? After all, they are all out to do business, are they not?

Mr. DRURY: You are making an argument in favour of keeping Trans-Canada not only wholly Canadian, but restricted to wholly Canadian territory, because of the danger of Trans-Canada being influenced by the Americans.

Mr. SALTSMAN: I am afraid of it being integrated with the American system to such an extent that we cannot untangle it later on. It is what I would call a "free-trade" approach, rather than a continental approach. Trans-Canada in the United States, is my concept of a continental approach, but with Trans-Canada remaining in Canada and having its own resources here, and the Americans having their resources, we can then decide on what basis we are going to trade.

Now, it seems that once we mix these two together, that decision as to what basis we are going to trade is not going to be available to us.

The CHAIRMAN: If I may just say a word here, I appreciate the relevancy of the original question with regard to the pipe line in its relation to the development in northern Ontario. The purpose of my interruption at this moment is not necessarily to rule the present dialogue out of order, and perhaps we might be able to come back to it if we can relate it a little more to area development, as I think we can. What I really wanted to say, Mr. Saltsman, was that there are one or two others who have indicated they wish to put questions, and perhaps we might have a first and second round of questions so that they might have an opportunity.

Mr. SALTSMAN: I have just one question, because I have to go to another meeting. I have had occasion to communicate with your department on behalf of manufacturers in my area who are interested in producing products here in Canada that are normally imported, and your department has been very good in terms of giving me the data on these imports.

I would like to have them go a step further. One of the difficulties is that although we get the data on the imports, we do not see the actual product, and I think it would be extremely valuable for our manufacturers here to see the actual product that is being imported. I have made this request to your department, and they have indicated that they are not in a position to give us the actual product which we are considering replacing with a Canadian manufactured item.

I was wondering whether your department would consider the establishment of a permanent exhibit containing all the imports that come into Canada, so that a manufacturer could go through them and see specifically what is coming into this country, and then make a better decision on whether his capability is such that he can start to work on these things.

Mr. DRURY: The largest trade mart in Canada is now under construction in Montreal and will soon be open. I suspect that this will be inadequate to house examples of all the imports that are coming into Canada.

Mr. SALTSMAN: This is your intention, then, to do exactly that.

Mr. DRURY: No. I say this building in Montreal, which covers several blocks, would be inadequate to house all these imports, or samples of them; if we do this in Ottawa we would have to have several new buildings.

Mr. SALTSMAN: If you are talking about major machinery, for instance, pulp machinery or mining machinery, I agree; I think that we would have to have photographs or sketches, of those things. But certainly the thousands of parts that come in would not require a building of that size to create this kind of exhibit. I do not anticipate that we could ever have a building to put in giant rolling mills or things of that type, but I think in those cases a photograph of the equipment should be made available. But, with the smaller parts; motors, gears, clutches and printed material, certainly an exhibit could be created for this purpose.

Mr. DRURY: The exhibit would be in Ottawa?

Mr. SALTSMAN: I am not really concerned whether the exhibit would be in Ottawa, Montreal or Toronto.

Mr. DRURY: I am wondering of what use an exhibit of the valve that controls the rate of flow of fluid in the hydraulic system on the shock absorber of a front leg of an airplane would be to a man in Vancouver. This is manufactured in California; it is quite a complex valve. It would be a lot easier for the Vancouver man to go to California to see it than it would be to hike all the way over here.

Mr. SALTSMAN: You have given an example with which I cannot quarrel. There are obviously certain things coming into Canada of such a specialized and complex nature that the Canadian market just would not justify this kind of an approach. But, on the other hand, there are many things coming into Canada that would justify the approach that I am suggesting. I hope that your department will give some consideration to this because it is a problem with manufactures. Just recently I have had occasion to write your department with regard to paper products. I am quite sure that the manufacturer can make this paper product in his country. He made the request, "Would you provide samples of the product coming into Canada so that we can have a more exact idea of the product." Now, your department was unable to do this.

Mr. DRURY: I just wonder whether the taxpayer should be asked to do this on a generalized basis. One would hope that the interest and enterprise of the manufacturer would be to secure samples himself.

Mr. SALTSMAN: It is not always possible. Your competitors are quite reluctant to do this sort of thing. This was done in Ontario. I understand such a show was created in Ontario with considerable success.

Mr. DRURY: Well, I do think there is great merit in the Department of Industry doing, as it does now, endeavouring to promote the manufacture in Canada of specific imports where there appears to be good prospects of getting Canadian manufacturing under way and having samples to support the statis-

tical information. I agree with this, but I worry a little about trying to do this on a generalized basis.

Mr. SALTSMAN: I think some discretion would have to be used; I agree.

The CHAIRMAN: There are three more members who have indicated that they would like to ask questions, and if time permits I would like to ask a couple myself which arise out of the very interesting comments by Mr. Saltsman in his questioning of the Minister. The first questioner is Mr. Reid.

Mr. REID: Mr. Chairman, I will be brief. I am rather interested in how long the Minister thinks the Area Development Agency is going to continue now that it seems to have overcome the reason for its existence, the very high rates of unemployment?

Mr. DRURY: Unfortunately, while the national average has declined to a much more satisfactory, although not completely satisfactory level, there still remains in Canada pockets of high level of unemployment. Now, in eastern Quebec it is unfair to say that unemployment has been licked merely because elsewhere in Canada there is overemployment. We have not, in terms of unemployment itself, I am afraid, succeeded in solving the regional problems. I think it would be agreed that there has been a very substantial improvement in our pace of economic activity with resulting increases in employment opportunities, but this has not been evenly spread across Canada. There still remain pockets, and I am afraid for some time there are likely to continue to be pockets which will be cured, I suggest, partly by the development of local industrial activity and partly through the operations of the mobility and retraining program of the Department of Manpower. I do not think either of these is the sole answer but an appropriate combination of both are likely to be needed for some time.

Mr. REID: Now, your department is dealing, in this partciular case, with very touchy provincial administrations and it is quite obvious that if an area is designated under your program that this in some cases can go aganist the programs that a province may or may not have with respect to regional development. What kind of liaison does your department have with provincial departments of economics or industry or whatever they call themselves?

Mr. DRURY: There is no formal liaison, but we are in fairly continuous communication with the provincial economics and industrial departments as much as anything else to try and have an idea of what they are planning and intending to do, so that we will know what kind of impact it is likely to have on our particular programs.

With respect to the Area Development Agency program, given the criteria which are all set out in some detail based on statistics which are published by D.B.S. and the N.E.S., the provincial authorities do not need our advice about which areas are likely to become designated or which areas are likely to become de-designated; this trend can be ascertained or calculated by them as well as by us. If this were a discretionary program then there would be need, perhaps, for formal liaison, but it is not a discretionary one. The necessity for formal liaison does not arise.

Mr. REID: In other words, it is an arbitrary set of criteria that just applies to any given place where there is a need for them to go. It is not anything that you

deliberately go out and plan to do, to take into consideration the impact that you are going to have in a given region or a given economy of a province?

Mr. DRURY: That is correct.

Mr. REID: Well, it seems to me that this is not a really good type of program, and that it has serious limitations. Has there been any attempt by your department to work area development into programs of regional development that provinces have announced. Now, the only province, to my knowledge, that has announced a regional development policy in recent times was the Lesage government of Quebec. When this program was announced, did you have any negotiations with the province as to how you could assist in this program?

Mr. DRURY: Well, Mr. Lesage had two objectives. One was increasing employment opportunities in the province of Quebec outside of the Montreal metropolitan complex, and general decentralization of industry. Another, he wished to change the mix of employment opportunities in some of the centres in Quebec which were not suffering from unemployment—in particular, the city of Quebec itself, and he felt it would be healthy and helpful if this were to be rather a more industrial based city than almost an entirely civil service based city. He hoped that the Area Development Agency would provide incentives for industrial development of Quebec not with the view to relieving unemployment but to alter the economic structure of the city of Quebec and its environs. He was in agreement that the Area Development Agency designated area program was helpful in encouraging his aspirations of decentralization of industry in Quebec, and the government of Quebec hoped to produce a program compilmentary to it, although they have not as yet been able to evolve anything. So with decentralization, reliance is placed on us, and with this they are in agreement. We were not able to agree that a program directed to regional unemployment should be contraverted so as to have the federal government restructure the economic makeup of the city of Quebec, so nothing happened on that.

Mr. REID: The province of Ontario has what it calls a new regional development program with a revolving load fund, which is an attempt to provide some expert assistance to industries in less favoured areas of Ontario. Has your department been in any discussion with the Ontario people with a view to integrating your activities in so far as it is practical.

Mr. DRURY: We have had a great many continuing discussions with the province on integration and, to the best of my knowledge, there are no serious areas of conflict between the Ontario government's development program and ours, the Area Development Agency program, because obviously areas of high chronic unemployment in Ontario must have a high priority for the government of Ontario to try and encourage industrial development. So, here we are on all fours. Now, where there is some difficulty is on the fringes, where there is not an absolute juxtaposition of areas, regions or districts or whatever you would like to call them, that are selected by the Ontario government. These do not have to correspond exactly to the boundaries of the national employment service areas. Here we have undertaken to resolve these particular conflicts through having a study made by Queen's University. We have not received the results of this study, but it should resolve that.

Mr. Reid: It is not possible then to take your program and to turn it into a regional development program, first of all, because your criteria will not allow you to do this; secondly, because the provinces are trying to move into this area and, thirdly, because you do not have the staff or, perhaps, even the inclination, to go this far.

Mr. Drury: Well, I would not say that the latter is a reason, and I would not cite the criteria as a reason. What a number of people are seeking is a program with quite a different objective. The suggestion is that one forgets about unemployment—let that be taken care of in some other way, and convert the energies of the Area Development Agency into one of economic development per se.

Mr. Reid: That is correct.

The Chairman: May I interrupt at this point, to put a question because I would like to, if we have time, question this further. As I understand it, the case which Mr. Reid is making, which is in a sense similar to Mr. Saltsman's, is that the unemployment factor would in fact be part of the broader approach, so that it would not be separate. In your reply you seem to separate them and, if so, I am not clear as to why we are not on the same wave length.

Mr. Drury: Well, I think most of the representations with respect to changing this program have come from areas where unemployment is not a problem.

Mr. Peters: It is not a tangible problem.

The Chairman: It is not as significant a problem as—

Mr. Peters: Oh, yes, it is a problem.

Mr. Drury: It is lack of economic growth.

Mr. Reid: Unemployment tends to be very mobile and people move out when things get tough. Therefore, our problem is not really one of dealing with unemployment so much as it is dealing with a stagnating growth or absolute dependence on resource industries.

Mr. Drury: I think we should deal with this one here. Reduced to purely local terms, in your case, what happens is that when things are not booming in your area the young people move off to Toronto, Hamilton, Sarnia and so on. Therefore, what is at issue here is in what direction the people within Ontario should be allowed to go.

Mr. Reid: In other words, you have put us right back into the constitutional morass.

Mr. Drury: Yes. Now, if your problem was that they were leaving Ontario and going to Winnipeg then there would be an argument for the federal government taking a greater interest in this.

Mr. Reid: Well, in my particular case, it so happens that this is so.

Mr. Peters: Mr. Chairman, there really are unemployed people in Mr. Reid's area, in my area and in all of northern Ontario. These are not calculatable unemployed. Every one of those young people who leaves the area is an unem-

ployed person so far as that area is concerned. The difficulty is that the criteria cannot measure the unemployment. If there are a thousand students graduating from his high schools, the unemployment picture is 1,000 students because there is no job for any of those students; none of them are employed. There is total unemployment so far as they are concerned. But they are employable elsewhere, and labour has its own form of mobility. But these people are unemployed. I would think that 95 per cent of the graduates of the high schools, or any of the schools in my area, are totally unemployable in that area—and it is not measurable; the criteria does not take this into consideration. We, in my area, are quite prepared, to bring in the councils and the Northeastern Development Association—as I am sure Mr. Reid is interested in bringing in the Northwestern Development Association—

Mr. REID: That is right.

Mr. PETERS: —and they will show you that there is absolutely no potential for those people to be employed. Therefore, technically, they are unemployed because there is no employment available to them in that area. They themselves have a mobility which allows them to not be a statistic. But they are really unemployable so far as our areas are concerned.

Mr. REID: In my own particular case, had I not been elected in November, I could not have obtained a job in my area. This is a very strange situation.

Mr. PETERS: Anybody with qualifications cannot be employed.

Mr. W. S. LAVIGNE (*Commissioner, Area Development Agency, Department of Industry*): I think what we are speaking about here is the problem of out-migration. I think that if the trends of out-migration were traced on a map, we would find that there is a great deal of it from the western provinces, from the northern part of the provinces and from eastern Canada, all of which is targeted on central Canada. It is not only northern Ontario that suffers from out-migration.

Mr. PETERS: Oh, we admit this.

Mr. REID: What we are looking for is some form of program or development which is going to provide, say, a more equitable distribution of the country's opportunities in these areas. I think we are going to have to start looking into this, simply because of the difficulty of keeping these great urban sprawls within some rational limit. They are becoming ungovernable messes.

Mr. DRURY: Do you think that this is probably becoming a national problem now?

Mr. REID: Well, no; I cannot see it being a national problem in Canada because ours is pretty well limited from Toronto to Montreal. It is now creeping down into the Niagara belt as well. We are using up, for example, our only grape growing land, or what have you, whereas it would seem more sensible that we should be diverting the industry and the housing that is being located there onto some of the rocks, up north, which are only good for this sort of thing.

Mr. HOPKINS: This can become a national problem if something is not done about it, because you are going to have the population flowing into one particular area of Canada. The urban areas of Canada are going to be scattered along the

southern border, and the interior areas are going to be de-populated. The population of Pembroke has decreased by something like 700 since the 1961 census. Sure, we would qualify for a designated area if these people had stayed home. But, unfortunately, they have got to eat like the rest of us so they all had to move to Kitchener, Toronto, Montreal and other places. From eastern Ontario right through to Mr. Reid's area, we are all suffering from the same thing, lack of growth. We have been offered very little to promote growth in these areas.

The CHAIRMAN: If the chair may be permitted to say something at this point, I do not think there is any other area where I have had so many ideas or heard so many ideas that I liked, and where I have changed my mind about it from time to time too. While I am very interested to hear the remarks on northern Ontario—and I am thinking specifically of some of the requests that we are going to have to discuss in steering committee, about these groups coming before us—there is, at least, one area in which the maritime provinces, and particularly Newfoundland, is ahead of all of the rest of Canada with regard to this problem. I think Newfoundland was the first to this program, and its initial successes were notwithstanding the steady indifference of the federal government. Many of its failures were in part attributable to the fact that at that point in time, during the early 1950's in Canada, the federal government was not aware of its responsibility in this area. Over a period of time this sort of lost momentum in this sense in Newfoundland. Then we had the industrial estates concept in Nova Scotia, and New Brunswick was coming along. I see a definite change in the situation in the Atlantic provinces. But today, in the case of northern Ontario and some of the other areas of Canada, I think by moving, first of all, at the provincial government level, it will be found, because the ground work has been laid, that we have a more responsive federal government in terms of co-ordinating these activities than was the case 15 years ago.

Mr. REID: Our problem is to have responsive provincial government.

The CHAIRMAN: There is one thing that frustrates me—if I may interject here without taking up too much time—and that is the slow progress of area development. I notice in the consumer credit committee that the chairman interjects from time to time but I have—except in this area—resisted that temptation. For a period of time, as the minister will recall, some of us within our own party were very vocal on this matter—a lot of it was on good case, and a lot of it was frustration too—because of the seriousness of the problem and because these things move slowly. However, I think there was a lot of merit in what Mr. Saltsman said. It seems to me the problem, is in our approach. We can talk about planning, economic growth, productivity and so on; we can give a paper on it, and it sounds very good. Then we can go away saying this is a new Jerusalem, but we have not done anything about it. I think that as a committee we should really assess, particularly in the atlantic provinces, what has gone on and, more important, to seize the opportunities to move along, as Mr. Saltsman suggested, in the future. I think we have to recognize that the role of various area development agencies will probably expand. I have made some notes on Mr. Saltsman's comments, and I do not agree with some of them. When he talks about the limited criteria being unemployment, I do not think that they meet the

factual situation because this has been expanded. Whether it has been right or wrong it has in part dealt with our problem in the Atlantic provinces, because it has included us all. Even if it did not take in some of the other factors that you claim and perhaps that it legitimately should have taken in, it took in a sufficient amount of the other factors to blanket most of the Atlantic provinces. It seems to me that the minister's reference to the Atlantic Development Board as a planning agency was quite right. However, the one thing that we are finding in Newfoundland—and this is somewhat different in Nova Scotia—is that primarily we are now in resource development. We are developing our human resources and our natural resources. This, to me, even involves education, because we will not really sufficiently develop our human resources until we can improve our secondary school system—and we have a constitutional problem there. This program, in terms of big industries—at least there are a number in the fire at the moment—has been a factor in Newfoundland. In Nova Scotia, when he talks about Halifax and these other growth centres, it seems to me that what the program is trying to do within the context of our free enterprise system is to induce certain secondary industries to go into the Atlantic region. There has been a criticism made that we may be perpetuating, particularly in secondary industries, uneconomic propositions.

So, there are things that I really think should be done collectively, that is, involving this Area Development Agency, the Atlantic Development Board and the provinces concerned—and this creates a problem because each province has similar problems and, in fact, may be competing with each other. I think there are two areas where we can move, one of which, in part, involves the Area Development Agency. I think we are moving toward a change in our type of free enterprise system; we are going in for a little more indicative planning, or whatever you may want to call it, and we are going to get into more of it—because of the very nature of the beast. This is what is going to happen. All the time we are going to be fighting the natural reluctance or hesitancy of moving ahead, so we will move ahead slowly rather than in a revolutionary fashion. One of the things which I think can be done now that will help remove this criticism of inducing secondary industry which perhaps might be uneconomic—and as I say I am not speaking with any great authority or any great body of knowledge and, hence, can speak with a certain point of freedom—

The first thing is to ascertain those types of industry most suitable for location in the Atlantic region, as opposed to today of having a program saying, we will assist any industry to go into the Atlantic region. I am not saying this is specifically the role of your agency or the role of the Atlantic Development Board, but it is certainly a role that has to be fulfilled by someone. The same perhaps is true of Mr. Peter's and Mr. Reid's area. I am thinking of perhaps export industries or certain specialty industries for the Atlantic region which could fill local needs and also export. In terms of a long term development of Canada, however, I do not think that we ought to have a sort of tariff within a tariff and perpetuating industries in Nova Scotia or in Newfoundland that will cost the people of Canada and, in the long run, the people of Nova Scotia and Newfoundland more to buy from those industries than to buy from somewhere else.

Now, in the monetary field, I have a criticism to make here, although it may perhaps be an understandable situation, of your program of grants and so on. I think there is a marked improvement. I really think for those of us who were critical in the initial stages of the program will agree that this was a very favourably received improvement. Quite often when you are fighting for something that you feel ought to be done, you are often prepared to settle for half of the loaf, but I think in this case it was more than half a loaf. But in the monetary field—and I do not know if this is a problem in northern Ontario—if we develop resource industries—which is particularly true in New Brunswick and, perhaps, in Newfoundland more than Nova Scotia because we had an opportunity to develop there—and those kinds of special industries that may be suitable to this area, we have to have credit facilities available as part of this program because, at the present time, in a tight money situation, it affects Toronto, Montreal and St. John's, Newfoundland. The left hand, it would seem when you look at monetary policies, does not know what the right hand is doing. Those are two areas where I think someone has to make progress. I think we would like a clearer definition, maybe not at this meeting, of the relationship of the role of the Area Development Agency along the lines which Mr. Saltsman and Mr. Reid have been discussing.

In the case of the Atlantic provinces, I can see this because of the presence of the Atlantic Development Board. It serves a very useful function. It provides a body of informed information to the various provinces because one of the very serious problems which we had in the Atlantic provinces—perhaps you may not have had to the same degree in northern Ontario—is a lack really of what we are doing and informed personnel. I think we also have to recognize certain unpleasant political things. When you talk about a region and about out-migration, we are going to have out-migration from some areas of Canada. Perhaps they should be limited to say, out-migration from the periphery of Timmins and Sudbury into Timmins and Sudbury—I do not know. But in Newfoundland this is a concept that we have recognized perhaps more so than any other part of Canada. I think we have some advantages in Newfoundland because we are starting fairly fresh. I think that a good deal of the talk and criticism of the Area Development Agency is because of constitutional problems and so on, and that we think that this is a sort of hallelujah. But at the same time while saying that in defence of the Area Development Agency, I think this agency has to recognize and be prepared to move in the direction where the opportunity affords itself along the lines that Mr. Reid and Mr. Saltsman have suggested. What I am saying is that there are legitimate reasons now for you to state your criteria and your action today. I think your role must become more sophisticated, so you cannot hide behind the suggestion that this is a constitutional problem. I think it is a legitimate thing to say to other groups that are coming to us.

Mr. PETERS: I agree with everything the Chairman, Mr. Reid and Mr. Saltsman have said. The government policy is not directed that way.

I would like to ask the minister a very blunt political question. Are you prepared to give consideration to a change in concept of the Area Development Agency? I think you agreed yourself that its prime function originally was to solve regional unemployment, and this does not exist as a major factor any longer.

The CHAIRMAN: I am going to have to take some issue with that.

Mr. PETERS: Well, I think we are getting to the stage, Mr. Minister, where Toronto may have more unemployment per population than Kirkland Lake. Kirkland Lake is losing population, as Pembroke is, and yet there is no unemployment. You cannot be unemployed in Kirkland Lake, you get on the train and go to Toronto and you have a job at three times the pay you could get anywhere else.

The CHAIRMAN: Do you not think the provincial government has the primary responsibility here?

Mr. PETERS: No, I do not. I think the federal government should give some leadership in this field because the provincial government can hurt the federal government by setting up unrelated programs in each area that will defeat the purpose in the next province. The federal government really has an obligation to integrate this for the good of all Canada. This is its prime function. For example, the province of Quebec added a 25-cent subsidy provincially on milk, and they upset the whole milk program of Canada. They upset the federal government, and they pretty nearly cost the minister his job. Finally, the two provinces sat down together, the federal government gave leadership to this, and they said that after a six months' period or a year's period the federal government will assume the subsidy the provinces have been paying, and that the Ontario subsidy will be raised on a temporary basis so as to equalize this. I think the federal government has the responsibility to see that one province does not cut the throat of the next province. I think this is true of industry as well. I do not buy this. I do not think that it is a fact that we should be able to say we cannot do anything because, constitutionally, the province has jurisdiction there. The province today is searching as hard as anyone for some way of solving their own problem and our responsibility is to see that they solve it collectively for the Canadian good rather than on just a regional basis.

We are going to call a number of witnesses, and I think we are going to have a steering committee meeting after this meeting. My problem is this. Are we going to take the minister on continually because we do not agree with the program. I think generally he is in agreement that the criteria have changed. Is there some field in which the committee could help the minister in developing a new program that would more than meet the needs of tomorrow, or even today, than the one we now have is doing. I would like to know what fields the minister would be prepared to have this committee study because, otherwise, all we are doing is pressing a situation on which are minds are pretty well made up on.

Mr. DRURY: As the Chairman has pointed out very clearly, one of the basic problems involved—and naturally, you are very interested in this—is the development of northern Ontario instead of out-migration to Toronto.

You feel, or hope that there would be a national program to stop this. The government of Newfoundland has decided that it is in the interest of the province to encourage, indeed force, out-migration.

The CHAIRMAN: Within the province.

Mr. DRURY: Within the province. This is their policy, which is the exact contrary to what you are recommending. Now, how do we get a national

program which meets these quite different approaches? Mind you, in each case we are discussing internal provincial affairs.

If the committee can tell me how to do this—

Mr. PETERS: I was not aware that this is what Newfoundland was doing.

The CHAIRMAN: We are establishing growth centres in Newfoundland. There is one whole area in Mr. Jamieson's constituency that will probably amount to three communities and part of my constituency. We now have perhaps sixty communities there and we will probably come down ultimately to only three or four really good viable communities, at Argentia and Marystown on each side of the bay. There will be some of the little communities that still have good fisheries that will exist but many of them have started to move. The problem has been in Newfoundland that the program has met with far greater success; the action of the people has been in excess of the government planning to cope with the problem. The government has had to say, hold on and wait through this winter. In one case the federal government closed down post offices, stopped the railway from going in there and we still have 400 people living on the island.

There is one thing I would like to bring to the attention of the committee. I probably took up too much time. Mr. Legault had asked to put a couple of questions.

Mr. LEGAULT: It was not my intention to ask questions but it was to establish exactly the question of finding a criterion to help a certain region. We talk about the maritimes; we talk about Newfoundland, and we are mainly interested in northern Ontario. We talk about the pipe line, and I am mainly interested in having sufficient quantities available for the development of northern Ontario. But when we talk about criteria, it has been established that in some areas it has been very beneficial. I have one section of my riding which has been established as such and it has not done anything at all, mainly because it is a temporary arrangement and any industry or manufacturer has to bear this in mind. If you place yourself in his position, I think his reasons are valid for not going into a particular area just because of the bait that would be temporary in that region.

I think our problem is unique right across the country and as long as we are going to talk about northern Ontario and as long as someone else is going to talk about another region, we are still going to meet with the same problem, and it is bound to create something of a discrepancy right across the country. The main problem is unique across Canada, because we have such a large country and such a small population. Therefore, I think we are always coming back to the question of transportation. If we bear in mind all the moneys that are given by the government in order to compensate, which has to come out of someone's pocket to start with, I think our line of direction, or our way of thinking would be directed to another aspect of it, and that is transportation, and this would develop, on a competitive basis, the areas in the country that we can justify. If we are going to give some moneys and create an artificial situation, it is merely going to be temporary. ARDA has somewhat that concept; it has bought up farms and has returned them to their natural state. Why have they done that? Because, economically, they cannot be developed. Are we going to argue that we must develop something in one area merely because there are people there. We

have the mobility program, we are spending money on this. Why are we moving them? Because jobs exist somewhere else. If we could create jobs in that particular area it would justify the development of that area. It always comes back to transportation, and this is the main concept. Every time that I call on some particular manufacturer to settle in my area, everything is perfect except transportation, proximity of the market. If we could eliminate that particular problem, then we could develop that particular area on its own merits. It is a little foolish to see that out of our region you have hundreds and hundreds of carloads of ore going down south to be processed, when if that product was processed in our own area, you would have perhaps one tenth of the amount of transportation involved, which would lower the cost. We try, in the Transportation Committee, to establish certain rates or certain conditions, which does create a discrepancy or something that would create a problem somewhere else. If that ore was processed up north, you would have about one tenth of those cars going down south. Why is it those ores are taken at a cost of $87 per car from Mr. Peters' riding to Hamilton? But if you get the same car coming back with raw material, it is going to cost $287, which is $200 more for the same car.

We have made this condition, and why not establish it on an equalized basis. We have various programs that have established a uniformity. The country is big; if we want to develop each area according to its own merit, why not establish something where the manufacturer would have to assess exactly on a percentage basis the average cost, and have his merchandise priced f.o.b. destination. Then wherever it comes from in the country, the invoice cost would be the same for everywhere else in the country.

I know of a particular manufacturer producing electric stoves, refrigerators and this line who will ship out, but they themselves make a certain adjustment for areas that are far off—a refrigerator shipped up to northern Ontario will come up at a certain price, with the transportation, and yet they will pay the same price in Vancouver, mainly because the manufacturer has made an adjustment on his own price. Therefore, they have accepted this concept to start with. Why not apply it right across the board? Perhaps I am taking this a little too far, but take the post office system. People seem to think that it is crazy that we can mail a letter from Ottawa to Hull for 5 cents and yet to mail a letter from Ottawa to Vancouver costs 5 cents. I presume it is to make the whole thing uniform. Whatever adjustment need be made could be made at the level of the Transport Commission, where manufacturers would pay an average cost across the country of say 2 or 3 per cent, which is added to their invoice.

The Transport Commission could be the agent to which all transportation companies bid for a contract to transport this merchandise across the country. With this, I think we would bring about a more justifiable operation across the country. This is all in theory, but I think that the conditions we would impose would not have any adverse effect. We would not make it artificial for one area to develop and another one to suffer because of it. If there is a certain reason for having a manufacturer at a certain place, then this could be done. But today we all have to concentrate around the golden horseshoe and therefore, this is the only answer to it. We would decentralize and we would develop the country. Those who would say that they would be paying more, are paying more today.

They are paying more with handouts to various regions. Mr. Chairman, this is what I wanted to put across.

The CHAIRMAN: I know you will not find too much objection to that from Newfoundland.

Mr. LEGAULT: You have the same criticism in Newfoundland as we have in northern Ontario. Mr. Reid has this criticism, and out west they have special rates. Why should they be favoured.

The CHAIRMAN: I once had the experience of spending the most confused morning I ever spent in my life with a man who prepared a brief for Newfoundland. This man was very knowledgeable about transportation; he knew all the various kinds of rates for the CNR, and I was convinced, on the basis of this —as you know, there were subventions—that there was no rationality to it. This is a subject obviously dear to many of our hearts.

An hon. MEMBER: The Committee is loaded.

The CHAIRMAN: I would not be discouraged by those remarks which the Minister made, because it seems to me that perhaps in the case of Ontario—and this I think would be a decision of the province of Ontario; perhaps bearing in mind the federal considerations too—they do have certain growth centres in northern Ontario. To imply that because we have out-migration in Newfoundland, the situation is a little different, is incorrect. If we had a big bulk of the population, like you have in northern Ontario, we would not be saying all northern Ontario must move to southern Ontario.

Mr. LEGAULT: Mr. Chairman, I think Mr. Peters would go along with me when I say that it is a worthwhile development and that it should be recognized as such. But today you cannot do it because another area is favoured with money that we have to pay in, in order to favour them at our cost. If you cannot develop an area because it does not merit development, then let us forget it; we may come back to it years from now. But on a competitive basis, we are going to go for the area, and we are going to develop any region in Canada that does merit that consideration. Today we are trying to put an artificial measure in there that will create an anomaly in the whole picture.

The CHAIRMAN: I am not too familiar with northern Ontario, but we have to accept the possibility in Newfoundland that we may reach the point some day where we are self sufficient in population, where everyone has equal opportunities for health, education, a good life and income, and we cannot support any more. What we are trying to do in eastern Canada, which may be slightly different than northern Ontario, is to give people, in the very bare subsistence level, an opportunity to be lifted up. Therefore, we are concerned equally with the Atlantic Development Board and ADA and ADA becomes merely one tool in the total picture. Is that a fair distinction to make?

For instance, you talk of Brantford not being a growth centre. The standard of living in Brantford is very superior to what it is in Newfoundland, but yet Brantford people have to go to Waterloo to get jobs. It does not seem to me that that is the same problem as the one we had in certain other regions such as, eastern Quebec and other places.

Mr. PETERS: Could I ask another question? I was very surprised to hear the Minister say, in an answer to Mr. Saltsman's question on pipe lines, that he had been satisfied. I was very surprised also to hear the two northern members say their only interest in the pipe line was to have enough gas to meet the needs.

Mr. LEGAULT: We have to bear in mind exactly what we want. We can talk about gas, gold or the lumber business, but the question is, are we going to export or not? If we are going to close our boundaries and just keep everything—

Mr. PETERS: Mr. Chairman, this was not my question. What I am interested in is that in northern Ontario we are trying to promote certain incentives in area development. It is my opinion that gas was brought in to effect the Adams mine at Dean, not because the gas price was cheap enough to transform a non-economic iron ore into an economic pelletized product—because I do not think the gas was that cheap because when it first came into northern Ontario it was much beyond the expectation of the market. There was what they call an interruptable gas, which was surplus to the market and surplus to the needs. This gas created a situation that did exactly what Carl said was done with transportation.

Transportation was provided from there to Pittsburgh; it was right through to Pittsburgh at $87 a car, which is a give-away price. Gas was put in the Dean mine at a give-away price, too, because there was not a foreseeable market for it. But did the department know that this also produced the Sherman mine? It has produced the plant at Geraldton for plywood. It has produced the plant at Cochrane for plywood, which could not have existed if it had not been for interruptable gas, which was a surplus, low-cost product in that area.

Were you aware of the fact that even in the summer there is not enough gas to supply interruptable gas to the pulp and paper mills at Kapuskasing and at Smooth Rock Falls, that both these mills expanded this year, and are operating on coal as a standby product at least once a week all during the summer? There will be absolutely no surplus gas in northern Ontario this winter at all, and this factor will cost those industries, in my opinion, a very large sum of money and will eliminate our incentive. We know there are these problems. Can they be weighed in terms of an incentive for development?

Mr. DRURY: Mr. Chairman, I must say that I am not quite sure what Mr. Peters is seeking, other than some kind of a measurement of the inadequacy of Trans-Canada to meet demands.

Mr. PETERS: No. We would like this surplus gas, and everyone knows that gas is really not a commodity by itself. It is a by-product of the oil industry, and you cannot leave it in the ground; you have taken it out when you did the refining, and with the exception of two fields there is no sizeable quantity of natural gas as a by-product. When it comes through the line it has to go somewhere, and I agree with Carl that we are not going to shut the tap off for export purposes. But as it goes through the line it becomes surplus along the line, beyond the needs. In fact, the surplus becomes so great that sometimes they have to burn it, because it just cannot be stored. The storage facilities are not there.

This extra surplus is a very cheap product because there are industries actually built on interruptable gas. When the gas is beyond requirements a

company will take it and operate an industry for even four or five hours a day because the product is so cheap.

When it was built, Trans-Canada under-estimated, by about 35 per cent, the demand that would flow from northern Ontario, so that this surplus product, which I think is an incentive in industry, is no longer a big factor.

What I would like to know is whether there is machinery to estimate what this factor originally was in the development of the industries that I have mentioned. I am thinking of the Dean and Sherman mines and the plywood industry, where there are seven or eight plants involved manufacturing plywood or bonded wood products. It has been a big factor.

Mr. DRURY: Yes, I think it would be difficult to measure, though. Let me say, Mr. Chairman, I agree 100 per cent with Mr. Legault that transportation costs are the key, really, to most industrial locations in Canada, and I have great hope that out of this railway bill we are going to get a little more economic sense into our railway freight rate structure, particularly, than has been the case in the past.

Whether the government of Canada should get into the business of equalizing freight rates all around the country for every community is something I have not really thought out. We have the element of the Maritime Freight Rates Act, which is an equalization act. We have it in the so-called Crowsnest rates for grain in limited fields. But I think you will be aware that there is a considerable body of people who feel that the Crowsnest rates should be done away with. Perhaps Mr. Saltsman would argue that they should be done away with because, if you look at productivity in the national sense, this is counter-productive in pure economic terms. An equalization program for railway freight rates all the way across the country is a tremendous, staggeringly complicated business and would have, perhaps, more of a social reason than an economic one. Economic arguments are against this in terms of improving our national productivity. The social ones are in favour of it.

Mr. LEGAULT: The question of the gas line itself, I think, can only be solved with the main interest being concentrated on the development of the areas served which, in this case, would be northern Ontario, and to be assured—to be guaranteed—that sufficient quantities would always be available for the development of our own area. This is, I think, the main concern of everyone.

On the question of transportation itself, I am referring only to—the hundreds of fields that are being supported by subsidies at the moment, which would be eliminated and which would be brought strictly on a competitive basis, requiring the area to be developed on its own merit.

When we talk about equalizing, I am not stating that the government would be subsidizing. They would be subsidizing perhaps, in part, whatever the year's total would be, but each manufacturer would be paying a percentage on an average cost of transportation right across the country itself, which would solve the problem in Newfoundland, and in the west, also our own problems. We are not asking to be favoured; we are just asking to be put on an equal footing with the others.

Mr. DRURY: Let me just introduce one deserving thought. The people who would benefit most from an equalization program of this kind with respect to freight rates—and it is going to be equalization, as I understand it—would be the manufacturers in the currently heavily industrialized areas, because this would mean that a manufacturer of refrigerators in Montreal could lay down his refrigerators as cheaply in Vancouver as the man who is trying to set up a refrigerator manufacturing plant somewhere in British Columbia. He could not possibly ever get started, because the fellow from Montreal would be able to lay his product down as cheaply as the local man could.

Mr. LEGAULT: Yes, Mr. Minister, but the fellow in Vancouver can lay his down as cheaply in Montreal as the other man.

Mr. DRURY: That is true.

Mr. LEGAULT: And it would be basically on a competitive basis.

Mr. DRURY: Yes. This, then, fosters the growth of the currently successful industrial centres. Montreal, Toronto, or Orillia has a large advantage over Kirkland Lake. Now, if you are equalizing freight rates, you would be putting Kirkland Lake and Montreal on the same basis. Well, Montreal has all the advantages now. You are providing them with additional advantages.

Mr. LEGAULT: You are not providing them with additional advantages because they control the market as it is right now.

The CHAIRMAN: If you are talking about the type of thing that they are manufacturing in Montreal and Toronto, then because they have the advantage now it is going to be no disadvantage to Kirkland Lake to remove one of those advantages.

Mr. LEGAULT: At least it will set that particular area on an equal basis, and if they cannot compete, well then, there is no justification for even opening up that region. Then there is no kick, whatsoever, coming from anyone.

Mr. Minister, how could it be that under the present rates, in the area where I am living, we can buy a bag of potatoes coming from New Brunswick cheaper than we can buy it from a producer who lives just about 60 miles from the centre of the area I am talking about? Because of those rates. Is that fair competition? We can import potatoes from New Brunswick. Now, I am all for New Brunswick selling their potatoes but, on the other hand, I think it should be on a fair basis. A person who has started a particular farm and made a success of it cannot compete on any market whatsoever, merely because of those rates. Have we not created an anomaly right there which is unfair, merely because of the conditions that we have brought about?

Mr. DRURY: The Maritime Freight Rates Act is an attempt, for one particular reason, at the kind of equalization you suggest.

Mr. LEGAULT: This is not equalization; this is merely giving an opportunity to, or favouring, one particular area.

If New Brunswick can grow more potatoes and can be more successful at it then, justifiably, it should. But, on the other hand, if you are going to go against the development of another area by favouring and accepting taxes from that area in order to pay subvention to that area to destroy the original one, I do not think it makes sense.

The CHAIRMAN: Gentlemen, it is 1.15. I think Mr. Reid had a question.

Mr. REID: I just wanted to return to Mr. Peters' point about interruptable gas being an incentive to industries locating in northern Ontario.

It is my understanding that the supply has completely dried up. There is no interruptable gas available in northern and northwestern Ontario and, mind you, this type of incentive is only given to companies that have alternative supplies of energy in the first place. It was my understanding that the southern route of the pipe line, by going through the United States, would open up the northern line to satisfy, firstly, northern needs with a great additional supply of interruptable gas. The reason for this is that northern and northwestern Ontario now takes only 20 per cent of the through-put at the Manitoba-Ontario border, and if you released the northern line to supply northern needs, the amount of gas necessary to supply eastern Ontario would be supplied by a smaller portion of the northern line, and a greater portion of the southern line, which would have the effect of greatly increasing the supplies of gas both on a firm and an interruptable basis at lower cost to northern Ontario. This was the economic justification, as I understand it, from the regional northwestern and northern Ontario point of view. Is that correct?

Mr. DRURY: That is correct.

Mr. PETERS: Well, nobody is buying that.

Mr. DRURY: Nobody is buying it?

Mr. PETERS: Nobody is buying it. We had a meeting with most of the public officials in northern Ontario over the weekend, and they just are not buying it.

Mr. DRURY: Well, perhaps they do not understand it.

Mr. PETERS: All political parties are involved, too. We sat on the platform with the Liberal and Conservative mayors from most of the communities—there were none of them on my side—and they were all in agreement with this.

The CHAIRMAN: I thank the Minister for his very frank and open discussion with us, and I would like to apologize to his officials for having kept them well past the hour. You can see that it is fortunate we did not have our full complement of members here, because we might miss supper.

Before the members leave, I think perhaps that the Committee might want to discuss this with the steering committee. Unfortunately we have no Conservatives here, Mr. Peters, so we will have to wait until we see them in the House to decide on our future plans. I think we have had a pretty thorough discussion with the Minister, and perhaps we could proceed to question some of the officials on some of the information that may be available, or else we can pass on and consider the hearing of outside witnesses.

Would I be correct in saying that we are finished with the Minister?

Mr. PETERS: Mr. Chairman, I would like the steering committee to meet with the Minister. It seems to me we are rather foolish if we go into all this business of making recommendations to change the criteria if the study is of no value. You are aware of the fact that I have always objected to our having a Committee without something happening as a result of it. If this is a case where you

could bring a lot of people here to no purpose then, politically, it is a lot better for everybody if they do not come if we are not going to do anything about it—and I say this on all sides of the fence.

The CHAIRMAN: Perhaps, Mr. Peters, this afternoon in the House you and I can get together with one of the Conservatives and discuss that approach.

We have a meeting scheduled for Thursday. I would say to the officials that in all probability we will not meet on Thursday because we have some decisions to make ourselves in the content. The next meeting will then be scheduled for the following Tuesday. I will be in touch with the Minister to let him know if his presence is required further. Thank you, gentlemen.

OFFICIAL REPORT OF MINUTES

OF

PROCEEDINGS AND EVIDENCE

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. RICHARD CASHIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 12

TUESDAY, NOVEMBER 22, 1966

Respecting

em 110—National Energy Board, listed in the Main Estimates 1966-67) of the Department of Mines and Technical Surveys

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WITNESSES:

e Honourable Jean-Luc Pepin, Minister of Energy, Mines and Resources;
Mr. Ian N. McKinnon, Chairman, National Energy Board.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

24761—1

UNIVERSITY OF TORONTO

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Richard Cashin

Vice-Chairman: Mr. Ovide Laflamme

and

Mr. Addison,
Mr. Andras,
Mr. Beaulieu,
Mr. Bower,
Mr. Davis,
Mr. Faulkner,
Mr. Forest,
Mr. Fulton,
Mr. Goyer,
Mr. Grafftey,
Mr. Hales,
Mr. Hopkins,
Mr. Langlois (*Chicoutimi*),
Mr. Latulippe,
Mr. Legault,
Mr. McCutcheon,
Mr. O'Keefe,
Mr. Peters,
Mr. Reid,
Mr. Saltsman,
Mr. Scott (*Victoria (Ont.)*),
Mr. Sherman—(24).

(Quorum 9)

Fernand Despatie,
Clerk of the Committee

REPORT TO THE HOUSE

WEDNESDAY, November 23, 1966.

The Standing Committee on Industry, Research and Energy Development has the honour to present its

SIXTH REPORT

Your Committee has now completed its consideration of Item 110—National Energy Board, listed in the Main Estimates for 1966-67, relating to the Department of Mines and Technical Surveys, and commends it to the House.

Respectfully submitted,

RICHARD CASHIN,
Chairman.

24761—1½

MINUTES OF PROCEEDINGS

TUESDAY, November 22, 1966.
(14)

The Standing Committee on Industry, Research and Energy Development met at 11.10 a.m. this day. The Chairman, Mr. Cashin, presided.

Members present: Messrs. Addison, Andras, Cashin, Faulkner, Forest, Goyer, Hales, Hopkins, Peters, Scott (*Victoria (Ont.)*), Sherman (11).

Also present: The Honourable Jean-Luc Pepin, Minister of Energy, Mines and Resources; Mr. Choquette, M.P.; Mr. Martin (*Timmins*), M.P.

In attendance: From the National Energy Board: Mr. Ian N. McKinnon, Chairman; Dr. Robert D. Howland, Vice-Chairman; Mr. J. G. Stabback, Chief Engineer; Mr. R. Priddle, Head of National Oil Policy Unit, Economics Branch.

The Chairman opened the meeting and the Committee resumed consideration of Item 110—National Energy Board, listed in the Main Estimates (1966-67) of the Department of Mines and Technical Surveys.

The Minister was examined, and was assisted in answering questions by Mr. McKinnon.

Mr. McKinnon provided the Committee with answers and additional information pertaining to questions raised at the meeting of June 21, 1966. He tabled extracts from the Corporations and Labour Unions Returns Act (Report for 1962) concerning Mineral Fuels and Petroleum and Coal products—pp. 26, 29, 50 and 66 (*identified as Exhibit 7 and filed with the Clerk of the Committee*).

A discussion on the Trans-Canada Pipe Lines followed and, in response to a request made by Mr. Andras regarding the estimated capital costs of the Great Lakes Project on a basis comparable to the costs of the Northern Ontario route, Mr. McKinnon agreed to supply the required information in the near future.

Mr. Addison, seconded by Mr. Sherman, moved,—

That Item 110—National Energy Board, listed in the Main Estimates (1966-67) of the Department of Mines and Technical Surveys be reported to the House.

The question being put on the motion, it was agreed to, on division.

At 1.00 p.m., the Committee adjourned to the call of the Chair.

Fernand Despatie,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

TUESDAY, November 22, 1966.

● (11.10 a.m.)

The CHAIRMAN: The meeting will come to order.

The last time we met with regard to the Department of Mines and Technical Surveys we heard from the Minister, and at that time we passed the estimates, except for Vote 110. Today we have Mr. Pepin with us again, and also Mr. McKinnon, the Chairman of the National Energy Board. We can now continue with the discussion on Vote 110.

Hon. Jean-Luc PEPIN (*Minister of Energy, Mines and Resources*): Mr. Chairman, before you begin, I was wondering if the Committee would agree with me that possibly one way of getting into the subject would be for Mr. McKinnon to answer some of the questions that were left unanswered at the last meeting? It might be a way to get back into the mood of the discussion.

The CHAIRMAN: I think, Mr. Pepin, that would probably be a good procedure, because these matters were left unattended.

Mr. McKinnon, would you care to deal with those matters first, and then we will continue with Mr. Andras?

Mr. Ian N. MCKINNON (*Chairman, National Energy Board*): We were asked, at the last meeting of the Committee, about Canada's petroleum requirements in 1965. At that time we were able to give data for 1964 only. The information for 1965 is now available. These data indicate that total domestic demand in 1965 was some 1,144,600 barrels a day. This requirement was met to the extent of about 600,000 barrels a day by indigenous production. Imports of crude oil and petroleum products totalled 558,000 barrels a day, and there was also some draw-down of inventory. In addition, Canada exported an average of 325,000 barrels a day of crude and products. Domestic production of crude oil and natural gas liquids averaged 921,000 barrels a day.

Regarding the Quebec situation, about which Mr. Goyer asked, domestic demand in that province averaged some 340,000 barrels a day. About 1,000 barrels a day of products were exported from Quebec, and there was also a net transfer of products to other provinces, mainly fuel oil, of about 40,000 barrels a day. Imports into Quebec totalled 380,000 barrels a day, of which 290,000 barrels a day were crude oil and 90,000 barrels a day were in the form of products.

With regard to the Canadian situation on oil reserves of production, the oil reserves, as of 31st December, 1965, were estimated by the Canadian Petroleum Association, for crude oil reserves, at 6.7 billion barrels; natural gas liquids, 999 million barrels, making a total reserve of crude oil and natural gas liquids of 7.7 billion barrels.

Mr. PEPIN: This is before Rainbow, is it not?

Mr. McKinnon: There will be some Rainbow reserves included in that, sir, but not too many.

The trends in crude oil discoveries over the last four years have averaged 634 million barrels a year, and 106 barrels of natural gas liquids—that is, the increase in the reserve position—for an average gain in reserves of 740 million barrels a year over the last four years. Oil production has increased from 543.8 thousand barrels a day in 1960, and this year we think it may hit about 1 million barrels a day.

I would now like to deal with the matter of the ownership of Canadian oil companies. I refer the Committee to the Report for 1962, which is the latest one under the Corporations and Labour Unions Returns Act.

Mr. Chairman, I have some extracts from this report. Would you wish me to read them, or would you like them filed with the Committee?

The Chairman: I think it might save some time if you filed them.

Mr. McKinnon: The tabulation that is made here makes it very difficult to come up with an over-all average. In his latest book, Mr. Walter Gordon estimated that the foreign ownership of Canadian oil and gas was 69 per cent. This table does not handle it in such a manner that you can come up with any definitive figure for the whole, because it deals with companies whose main business is producing oil and gas, and then deals separately with integrated companies.

I would like to deal now with crude oil pricing. Until about ten years ago it was possible to discern something of a unified structure in the pattern of world crude oil prices. The price of crude from various sources could be related at the marketplace. This is not so today, when the situation with regard to world crude oil prices can only be described as very complex and confused.

There is a large potential production surplus overhanging the world market. New producing areas, characterized by large reserves, high productibility per well and low production costs are being developed by companies many of whom have no large outlets of their own for new production. In this situation discounting of posted prices is rife. The range of discounts varies widely, depending on a variety of factors, including the ownership of the crude, the country of origin, the terms of the sales contracts and the degree of competition in the particular market in which the oil is being sold.

The levels of posted prices and the discounting of these prices have been of great concern to all the major exporting countries, such as Venezuela, the Middle East countries, and Libya. These countries have banded together to form the organization of petroleum exporting countries known as OPEC. One of the objectives of the organization is to secure the maximum realization possible per barrel of production, as this has a direct bearing on the revenues which the member countries receive from the exploitation of their oil resources.

I will deal now with eastern Canada. In eastern Canada there are ten refineries owned by eight separate companies. We know of at least two cases where companies who have not yet constructed their own refining facilities import oil for processing by an established refinery. Contracts for the importation of crude may or may not be with the foreign associates of the company concerned. The contracts may be on a short or on a long term basis.

The major portion of our imports comes from Venezuela, but there is a constant change in the pattern of imports, reflecting competition between various overseas supply sources for this sizeable market. At the present time we are importing into eastern Canada crude oil from eight different countries.

It would seem reasonable to assume that the eastern Canadian refiners, if they are to maintain their competitive position with each other in this market, would not enter into imprudent crude oil purchasing contracts. Initially these companies are subject to the disciplinary effect of product imports. In negotiating crude oil contracts the companies, of course, have taken into consideration the quality requirements of the market and the continuity of supply. It is noteworthy that during the Suez crisis eastern Canadian refiners did not suffer any crude oil shortages.

The Dominion Bureau of Statistics figures indicate that in 1965 Canada imported 144 million barrels of oil at an average f.o.b. cost at point of export of $2.17 a barrel. Freight, of course, would have to be added to obtain the landed cost. In the case of crude imported from Venezuela, the ocean freight might cost something in the order of 15 to 25 cents a barrel. The freight charges on imports from the Middle East could range from 65 to 85 cents a barrel. The cost of shipping crude imported via Portland, Maine, to the pipeline to Montreal is about 13 cents a barrel.

I understand that the Department of National Revenue keeps the price paid for imported crude oil products under constant surveillance from the income tax point of view.

I would now like to turn to the question raised by Mr. Saltsman concerning the price of Venezuelan crude. I believe he quoted figures indicating that Venezuelan oil has been sold to Canada at $2.34 a barrel, and to Europe at $1.80, a difference of 54 cents.

These data tally with certain published information which we have examined. The $2.34 Canadian funds corresponds to the average value of the large volume of Venezuelan crude—some 244,000 barrels a day—imported by Canada in 1965. The $1.80 appears to be the average value of a relatively small volume of 12,800 barrels a day of Venezuelan crude imported by Italy in 1965. This represents 1.24 per cent of Italy's total imports. Incidentally, the $1.80 price is in United States funds. The corresponding price in Canada, of course, would be about $1.93.

We have tried to ascertain whether the prices quoted by Mr. Saltsman relate to crude oil of the same quality sold under comparable conditions. These enquiries have not produced, so far, the information required for an objective comparison. However, the members will be aware that there is a very wide difference in the unit price of crude oils reflecting the quality differentials. In the case of Venezuela, this present posted price is from $1.57 U.S. for 11 gravity Boscan crude, to $3.34 U.S. for 47 degree gravity Cumarebo. We know that the A.G.I. gravity of Venezuelan crude reaching eastern Canada is almost certain to average over 30 degrees gravity. The posted price of Venezuelan crude in this gravity range is in the order of $2.50 to $2.70 a barrel. We have some grounds for believing that what little Venezuelan crude Italy buys is predominantly material, well suited to the fuel-oil oriented Italian market pattern. The posted prices

for typically heavy Venezuelan crudes are of the order of $1.70 a barrel, or some 80 cents in U.S. funds less than the typical Venezuelan crude imported by Canada.

It seems highly improbable to me that the crude oil sold to Italy is of a quality comparable to the average quality of the crude oil sold to the eastern Canadian market. However, if it were, I am sure that the Venezuelan government would want an explanation from the seller about why the crude oil was sold at such a heavy discount.

Mr. Saltsman also drew our attention to an apparent discrepancy of some 11 cents a gallon between the cost of gasoline, ex taxes, to retail outlets in France and in Ontario. He obtained a figure of 16.2 cents in France by deducting the tax of 56.9 cents from the selling price of 75.1 cents as shown in the 1965 issue of National Petroleum News Fact Book. The corresponding figure for Ontario of 27 cents, which he calculated, was based on a retail price of 43 cents less 16 cents in taxes. We have taken the current retail price in Toronto of 45.9 cents for regular gasoline, and deducted 16 cents provincial taxes, and 1.9 cents federal sales tax, to arrive at the figure of 28 cents for Ontario. In order to compare the 16.2 cents in U.S. funds per U.S. gallon in France with the 28 cents per imperial gallon in Ontario, it is necessary to make certain adjustments to the French price by adding 3.24 cents for the volumetric difference between the imperial and the U.S. gallons; 1.56 cents for the difference in the exchange rates between the U.S. and the Canadian dollar; and 2.5 cents for the quality differential between the French regular gasoline, with a 90 octane rating, and the Canadian regular gasoline with an octane rating of 95. These adjustments raised the French price from 16.2 cents U.S. to 23.5 cents Canadian, or 4.5 cents lower than the Ontario price. We believe that this difference is more or less accounted for by the difference in the dealers margin which, we understand, is 8.5 cents in Ontario, and somewhat less than half that figure in France.

We were also asked what the rates of duty were on imports of various grades of refined products. Petroleum itself, or crude oil, enters duty free. On gasolines, presumably including naphtha, jet fuel and kerosene, the duty under British preference is three quarters of a cent, and under most favoured nation is one cent. For diesel fuel the corresponding figures are one-third of a cent and one half cent, and for middle distillates, including No. 2 heating oil and residual fuel oils, one-third of a cent under the British preferential and one-third of a cent under the most favoured nation rate.

Mr. PETERS: Was that last figure a third on top of the diesel price or—?

Mr. MCKINNON: No; it is one-third of a cent over the price paid by the importer.

We were also asked about the return of dividends to the United States parent companies by Canadian oil companies. Again I would like to refer to the Corporations and Labour Unions Returns Act report at pages 42 and 43, and to table 18. In line 3 under the heading "Mineral Fuels", these relate to companies, including coal companies, which are primary producers of coal, oil and gas, and the amount of the dividends returned to non-residents was $3,504,000 for this classification of companies, and for petroleum and coal products, which would include the integrated companies, the figure was $44,732,000.

Mr. PETERS: Does it indicate the total volumes?

Mr. MCKINNON: I can let you see the table. It is a breakdown between dividends, interest, rent and royalties. We were asked about the dividends.

Mr. PETERS: It does not mean much to me unless I know the total dividend picture. This is the amount of the export of Canadian profits to parent companies, is it not?

Mr. MCKINNON: That is right. You would like to know what those companies earned in total dividends?

Mr. PETERS: I do not know whether this is very much or very little. Forty-four million dollars does not sound like very much money.

Mr. MCKINNON: But if you total the two of them it comes to about $48 million under the two different categories. That is dividends alone. The $3,504,000 dividend payments to non-residents by the mineral fuel companies is out of a total profit of $98.5 million. The $44,732,000 is out of a total profit of $165.5 million. Those are dividends, and this is profit.

The CHAIRMAN: That covers the questions that were unanswered the last time we had the National Energy Board here.

Perhaps we could now continue with the regular order of questioning, unless somebody has a question pertaining to Mr. McKinnon's answers. Mr. Andras?

Mr. ANDRAS: Mr. Chairman, my questions, which are very few, are related to the Trans Canada pipe line. I read, with a very great deal of interest, the National Energy Board Report to the Governor in Council of August, 1966.

The CHAIRMAN: Are your questions, then, going to be directed to the basis of their report to the government?

Mr. ANDRAS: Yes; in relation to subsequent events and decisions.

The CHAIRMAN: In that case I think those questions would be directed more properly to Mr. Pepin.

Mr. PETERS: I had an opportunity of listening to a discussion on the oil problem and the figures that are related to it. We had dinner with a man who imports a lot of oil. This is the gentleman Mr. Saltsman was talking about. I still think the Committee should hear from this particular gentleman if he is willing to come before the Committee, because I believe that we could benefit from some of the information that he has available, and it might be possible that the Energy Board also could benefit from this inquiry. I would like to suggest to the Committee that they hear this particular gentleman, whose name I do not know.

The CHAIRMAN: Mr. Oehr, is it not?

Mr. PETERS: I do not know.

The CHAIRMAN: I think that is the man that Mr. Saltsman mentioned.

Mr. PETERS: He is the fellow who has been causing a lot of trouble in the oil industry in Canada in the last few years.

Mr. PEPIN: There was something in what Mr. McKinnon said that is relevant to this. The oil markets around the world are very flexible, and I am quite

sure that a clever operator can go around the world and collect the cheap stuff here and there and bring it into a country, and in so doing he can disrupt the regularity of the supply in that country. I am sure that the National Energy Board is familiar with the existence and operations of Mr. Oehr; it is not the first time that he has been brought to the attention of the National Energy Board. Members of the Committee would most probably agree that a certain amount of discipline is necessary in the Canadian market in order to avoid too great discrepancies and too great uncertainties.

Mr. PETERS: Mr. Chairman, I agree that this probably is necessary, but I think that in looking at the oil policy for Canada we should take a look at what he can do and what he appears to be doing, and the restraint that is placed on him by he Energy Board through the import and export licences.

Mr. MCKINNON: There are no export or import licences.

Mr. PETERS: He brings a boatload of oil into Canada and is not allowed to unload it.

Mr. MCKINNON: I think you must be referring to products as opposed to oil. There is no restriction on the import of oil at all, and no duty, and I do not think he ever brought any oil in.

The CHAIRMAN: If I may intervene at this point, the question originally brought up by Mr. Peters was one with regard to calling witnesses on this matter. Although I think that could be a very valuable exercise, I am reminded also of the interest of completing the item. We have completed all of the department estimates except this one item, and I question at this time the practicality of the calling of witnesses, because I doubt that we would be able to limit it to one witness; we would leave ourselves open to the possibility of a host of witnesses.

As you know, we have also had the matter of the Area Development Agency passed on to us. This is in a somewhat different position from the item before us today, because it is a matter which we can keep with us until the end of the session of Parliament. Therefore, we have more flexibility in arranging our own schedules to cope with witnesses, and bearing in mind the conflict with other committees.

I question whether or not we would be able to do that on the one hand, and then proceed with calling witnesses on the oil policy at this time. I think that the government and the House would be anxious that we return this item to them as soon as possible.

However, I do not think—

Mr. PETERS: I suggest that we refer this to the Steering Committee, because there is a technicality about how long we can hold on to this particular clause.

The CHAIRMAN: And it may well be—

Mr. PETERS: I have read with great interest Mr. Pepin's speech in which he indicated that there are changes necessary in the oil policy, and in particular in trade, and I think that this would be a worth-while exercise. Whether it is feasible or not, I do not know.

The CHAIRMAN: Well, perhaps at some later date the Minister may choose to refer certain subject matters to the Committee and perhaps we might be able to cope with it in that way.

Mr. Pepin, you were out when Mr. Andras indicated that he had a number of questions on the recent decision of the National Energy Board, and I suggested that any comments or questions that he might have in that area would be more properly directed to you.

Mr. ANDRAS: Some of them would, perhaps, be defined as technical and others as on policy, so that it is a case of whichever you wish to handle.

Two of the main factors, apart from the economic-nationalism aspect of this decision, relate, in my opinion, to the economics. One is timing, and the other is the straight cost of the delivery of natural gas. Dealing first with the timing aspect of the Great Lakes project, for completion versus the possibility of a northern twinning, at the bottom of page 5-13 of the National Energy Board's report to the Governor in Council of August, it reads:

> It was further emphasized that completion of the Great Lakes Project would provide full reliability of a complete second line within two years, whereas looping of the line in Northern Ontario would not be completed for eight years.

Could you give us a reason for the difference in time between these two construction projects? One of the things I would like to know is how long it took to complete the original 30-inch pipe line from, say, the Manitoba border to a point in eastern Canada, which would be comparable to the proposed twinning?

Mr. MCKINNON: The reason for that is that when you loop the northern line you would loop it only as necessary, that is, to move the volume of gas each year; whereas, in the case of the project south of the lakes it is being built in two stages. You see, you can loop either on the upstream or downstream side of each compressor station, and you do not need to loop the whole way; it depends on the throughput that you want to put through the line. It is more economical to do it in stages than to do it all at once; so that you gear the looping to the demand for the gas.

Mr. ANDRAS: Does this mean that capacity would begin increasing at all points along the line as the stages of looping took place say, starting from west to east?

Mr. MCKINNON: Yes, you actually increase your capacity as required, and this is done the same way with oil lines and gas lines. You do not necessarily have twinning all the way along; you do it in stages.

Mr. ANDRAS: Well, then, would this be done technically, by the increase in pressure, by compressors and this sort of thing, feeding through a common line as you went along?

Mr. MCKINNON: Yes; you have two alternatives to increase the capacity of a pipe line. One is to instal more compression, and the other is to loop, and you try to decide which is the most economical. When it gets to the stage that it does not become economic to instal any more compressor capacity, then you start to loop, usually up-side of the compressor station. As the gas moves from one station to another the pressure will drop; then you need more capacity in the line, or size in the line, to move it, so you start looping, probably upstream of the compressor station.

Mr. ANDRAS: Then in the case of the existing northern line, we have established that at the beginning the first stage might just be by looping another line, but feeding back in through increased pressure.

Mr. MCKINNON: There are probably several compressor stations along the line, and then it will be gradually increased to loop the whole line, which we estimate would take about 8 years.

Mr. ANDRAS: But before you completed the whole line, which would mean a second gas pipe line if you wished to increase pressure, you would still be using one line at the eastern end for the transmission of gas. Is that correct?

Mr. MCKINNON: You would still just have one line at certain places, and two at others.

Mr. ANDRAS: And where there were two you would be having additional compressors, but this eventually would have to feed into a common line to get the additional gas to eastern Canada. Is that correct? Is that the right interpretation?

Mr. MCKINNON: Yes; as the gas moves from one compressor station to the other it is under a certain pressure. As it moves farther and farther away from the compressor station the pressure drops, and you need more volume in the line. The gas expands when the pressure drops.

Mr. ANDRAS: But at some stage you would reach a point where the pressure problem would be no longer the problem in getting additional gas to eastern Canada, but it would be the capacity of the pipe itself; is that correct?

Mr. MCKINNON: Yes; and this is what you do inevitably; you group to get additional capacity.

Mr. ANDRAS: So that twinning the northern line in stages would be economically sound in relation to the growth of the market, say, in eastern Canada, and would be governed by that?

Mr. MCKINNON: Yes.

Mr. ANDRAS: It is not a construction problem, then, which necessitates this additional time; it is the economics of the market at the other end?

Mr. MCKINNON: That is right.

Mr. PEPIN: This is why the looping schedule is tied to the forecast of the growth of the eastern market; and this is why, when you ask me why we can not start looping now, I can only say that we can start looping only when the markets are there.

Mr. ANDRAS: I think that market would have been there, Mr. Pepin, if the United States route had not been built—that there would be no question of the existence of that market, and, therefore, the requirement to loop, starting now.

Mr. PEPIN: The markets would have been there, but gas would have been sold at a higher cost.

Mr. ANDRAS: One more question relating to this eight-year factor. In your report again, on page 6-31, it is my interpretation that in your final recommen-

dation you give considerable weight to "The impetus of a carefully prepared project..." and so on, that it "...is valuable and not likely to be destroyed." This implies to me that, because this project by Trans Canada Pipe Lines was so far advanced in planning at the stage at which it reached you, you had to give considerable weight to this rather than put Trans Canada back into the position of having to do all that engineering, planning, and so forth, on the northern route. This leads me to this question: If Trans Canada had started out in their expansion program by giving emphasis to the northern route, and had therefore, done all their planning in that direction, would there have been a reduction in the eight-year projection that you have given for construction? In other words, they are ahead in terms of time on the American route because that is the way they started out to plan; but if they had started to plan the northern route in the first place there would certainly have been some period of time-saving involved.

Mr. PEPIN: The greatest advantage of the present project is that all their contracts are already negotiated with the consumers and the distributors.

Mr. ANDRAS: Yes; but is it not possible, Mr. Minister, that had they started out with the idea of keeping the twinning of the northern route in Canada, those contracts would have been negotiated on that basis and you would have had the same situation in reverse and that they would then have put the weight of their argument, perhaps, on the northern line rather than the southern line.

Mr. PEPIN: The company was convinced that they were doing the right thing.

Mr. ANDRAS: I am not arguing about their motives. I am trying to establish the factors relating to the difference in completion time, or even partial completion time; because we have established that partial completion would increase capacity to eastern Canada on the twinning.

Mr. MCKINNON: It would not have made any difference to the eight years. I think the eight years was based on the estimated growth of the eastern market.

Mr. ANDRAS: So it is not part of the eight years. But starting from scratch right now the planning stage is much more advanced on the American project than it would have been on the northern project.

Another very important—

Mr. PETERS: Before we leave that, in relation to this timing schedule that Mr. Andras is talking about, it is my understanding that the Board, in fact, back in 1961, made the recommendation that this line's capacity was going to be increased very greatly. What was the reaction of Trans-Canada to your Board's decision that this market was not going to be met with the capacity that was envisaged by Trans-Canada?

Mr. MCKINNON: As I recollect, Mr. Peters, each year Trans-Canada have come in and discussed with the Board, and have filed an application with the Board, to increase the capacity of the line in keeping with their estimated growth in demand.

Mr. PETERS: Not to increase the line?

Mr. McKinnon: To increase the capacity. That means adding pumping stations in the eastern leg and, in some cases, adding additional loops and pumping capacity in the western section of the line. Those estimates of Trans-Canada, I thnk, in turn, were based on the estimates made by their customers; that is, each distributor, I think, would tell Trans Canada a year or so ahead—it might be two years, I do not know what the arrangements are—what they thought their market demand would be. Trans-Canada would then file with the Board estimates of their future requirements in support of an application to increase the capacity of the line by building new facilities.

Each time the Board hears an export application, the Board prepares its own estimate of the Canadian market province by province. This is published as part of our decision, and this puts the company on notice, more or less, of what we think the additional capacity should be. We may not always be right. They, in turn, check with their customers and renegotiate the contract, and on the strength of those contracts they increase the capacity.

Mr. Peters: The indication, as I understand it, was that there was going to be a considerable market increase over what Trans-Canada was preparing for. As I understand it, it was put quite strongly to Trans-Canada that this line's capacity was not sufficient to meet the needs.

Mr. McKinnon: In 1965, it became very apparent that Trans-Canada needed to increase the capacity of the line, and they came to the Board and made an application to import gas from the United States in order to give them an extra year in which to determine what would be the best method of increasing the capacity to eastern Canada; that is, to find the cheapest way of moving the incremental demand for gas from western Canada to eastern Canada. The Board recommended the application at that time, and the government agreed to it.

Now, at that time Trans-Canada had filed with the Board an application to construct the Great Lakes project. This was in 1965. We made reference to that application in our decision in support to the government. That application was subsequently withdrawn. That was the application in which Trans-Canada owned 100 per cent of the Great Lakes; and then the application that we dealt with this year was filed at the end of 1965.

Mr. Andras: Getting into the capital cost difference, there are so many figures floating around that I, for one, am most curious to know the accurate comparison of capital cost figures. We have on page 5-9 of your report, "Summary of Trans-Canada's Estimates of Total Capital Expenditures, Northern Ontario Route" by years, from 1966 to 1976, the estimated construction period, and showing the amounts each year, and in the end they total, for a 36-inch diameter pipe, $724,900,000, and for a 30-inch pipe, $678,500,000, and yet other figures that have been discussed from time to time show something in the neighbourhood of $200 million for the United States route and $235 million for the northern route. Now I have heard these last two figures on several occasions, and I am damned if I know where this thing stands. Is it taking a cut-off date at some period in time? What is the true capital cost comparison to the completion of one and to the completion of the other?

Mr. McKINNON: Well, we took it on a ten-year basis. You can take it, for instance, for the first two years. I think this is where the comparison that was usually made—the costs for the first two years. If you add the first two years together I think this is usually where the comparison has been made.

Mr. ANDRAS: Would it be possible, Mr. McKinnon, to get from the energy board a directly comparable statement of the estimates for the Great Lakes project to put down alongside these—

Mr. McKINNON: The comparable figures for Great Lakes for 1967 in Canada are twenty-three million—

Mr. ANDRAS: In Canada?

Mr. McKINNON: Yes; these are the extra facilities that will be required in Canada for the Great Lakes project.

Mr. ANDRAS: Do you mean up to that point in time?

Mr. McKINNON: No; this is for 1967 facilities.

Mr. ANDRAS: You may be giving me exactly what I want. I am looking for a total comparison—

Mr. McKINNON: I have got the figures for what will be required in Canada and what will be required in the United States.

Mr. ANDRAS: Can that be done in total so that I can put down alongside this the same figures. Take it on the 36-inch diameter pipe.

Mr. McKINNON: Taking it on the Great Lakes facility, in Canada, in 1967, $23,558,000; and in the United States, $31,403,000.

Mr. ANDRAS: Or $55 million in round figures.

Mr. McKINNON: And then in 1968, I believe, the figures are $60,607,000 in Canada, and in the United States, $161,778,000. The totals, then, for Canada, are $84,165,000, and in the United States, $193,281,000.

Mr. ANDRAS: All right; if we could take down to where we have $724,900,000 at the bottom of that table that you have before you, what would be the total capital investment in the Great Lakes project at that point in time, Canada and the United States combined?

Mr. PEPIN: The difficulty is that there are so many factors entering into this calculation—the passage of time, interest rates, and so on.

Mr. ANDRAS: Is it possible to calculate it for the Canadian, hypothetical—

Mr. PEPIN: I am just trying to account for the possibility of changes from the time of the report to the present day.

Mr. ANDRAS: Rather than take the time right now, because I have many more questions and the time problem too, would it be possible to get this for the Committee at your earliest convenience?

Mr. McKINNON: I have some figures here relating to eastern Canada for the period 1966 to 1975. To supply an equal volume of gas to eastern Canada over the period 1966 to 1975 would be: Northern Ontario, approximately $440 million, and the Great Lakes, approximately $390 million.

Mr. PEPIN: Those are costs over a period of ten years.

Mr. ANDRAS: I am still lost in the comparison between the $446 million and the $725 million; I do not see the relationship.

Mr. MCKINNON: The $700 million, of course, is the whole, right from the west; but the figures I gave you are just east of Winnipeg.

Mr. PEPIN: And, consequently, they are better figures, as far as we are concerned.

Mr. PETERS: When we talk about the boundary, is there any difference between the Manitoba-Ontario boundary and the take-off at Emerson?

Mr. MCKINNON: Not too much; the take-off at Emerson is slightly east of Winnipeg, so that the cost that we are giving you here—

Mr. PETERS: The volume that comes from the take-off and the volume that would come from the border would be the same?

Mr. MCKINNON: No; the take-off point east of Winnipeg would include the gas for eastern Canada as well as the gas to be exported at Emerson.

Mr. PETERS: But it will—

Mr. MCKINNON: I am sorry; I was thinking of the American border. You mean the Manitoba-Ontario border.

Mr. PETERS: No; I am following Mr. Andras' question in which he is asking for a comparison. You said that this is only east of Winnipeg. This would not include any of the costs west of Winnipeg for instance?

Mr. MCKINNON: That is right.

Mr. PETERS: I presume you are talking of the take-off being east of Winnipeg, then, and it is not going to make any difference at all whether you increase the volume south or east. The volume will be the same at Winnipeg, or at the take-off place.

Mr. ANDRAS: What I want to get at is a place where it starts even. What I want is the difference in capital cost of getting gas to eastern Canada —forget about the export at the moment—to the Don storage yards or wherever the terminal point is, by the northern route and by the Great Lakes route— the capital cost from now until you have completed it to the extent on which you have a forecast for capital cost on page 5-9 of your report. If you can do it by ear so much the better. My prime purpose is to have an ultimate capital cost that will compare with the round figure of $725 million. That is what I would like to get. If you cannot give it to me now I would simply ask if it is possible to get it soon?

Mr. PEPIN: The difficulty of doing it per year is that it varies so much. The two projects are so different on a per year basis that it will not teach you much, and this is why I—

Mr. ANDRAS: I might even settle for an end result, which is the real question.

Mr. PEPIN: I had the same inspiration one morning and I asked for these figures over a period of ten years, 1966 to 1975, and the result of Mr. Stabback's

calculations was that northern Ontario would cost approximately $440 million and the Great Lakes approximately $390 million, or a difference of $50 million.

Mr. ANDRAS: This is where a lot of this confusion is arising. We are taking different points in time of construction versus other and different comparative points of time, and I am damned if I can sort it out. I think that what I am asking for may be technically difficult, but you must have had to do it in order to come to some conclusions.

Mr. PEPIN: The report does this.

Mr. ANDRAS: It does it for the northern route, but I do not see anything in here laying it out in that same way.

Mr. PEPIN: I had this same problem, and my impression was that the report came to a difference of $35 million...

Mr. ANDRAS: The end result?

Mr. PEPIN: ...and then the other calculations—I am speaking bluntly—you like that too!—came to $50 million. If I am well informed, the other day, Mr. Kerr mentioned $83 million.

Mr. ANDRAS: This is where the confusion is; it is all over the map. Can we get an end result some time within a week or so? Would that be possible?

I will pass that for the moment. There are several references to the difference in transmission costs in here, which are most interesting. In the end you make the case that for the first five years the transmission cost differences, Great Lakes versus northern route—and I believe it was the 36-inch line northern route—would be 5 per cent over the first 5 years and 1½ percent over the ten year period. I presume that projecting it beyond that would either continue to reduce the weighted average or at least maintain it at 1½ per cent which is, by your own approach, a rather small difference in transmission cost.

The first question is: Does that transmission cost include the amortization of capital, money cost, and so on?

Mr. MCKINNON: Yes; and depreciation and so on.

Mr. ANDRAS: Therefore, whatever the original capital cost may be, relative to my first question, it would be included in your end delivered transmission cost figures?

Mr. MCKINNON: Right.

Mr. ANDRAS: So that in spite of the difference in capital cost it ends up at 1½ per cent difference in transmission costs?

Mr. MCKINNON: As far as the Great Lakes was concerned, we used the transportation contracts that Trans-Canada had entered into with the companies; so that this could be on the basis of the contract itself that we made the comparison.

Mr. ANDRAS: Which would indicate that they were satisfied to do it at that contracted price?

Mr. MCKINNON: Yes; and this, of course, will be subject to F.P.C. approval.

Mr. PEPIN: At what rate of interest was the money calculated?

Mr. MCKINNON: In the Great Lakes contract I believe that the interest rate was 6½ per cent, and the depreciation was 3½ per cent. The corresponding figures that we used in our calculation in Canada for the twinning of the line, as you call it, was 7½ per cent, and I think the depreciation would work out to somewhere between 2¼ and 2½ per cent.

Mr. ANDRAS: So the depreciation was lower and the cost of money was higher, but the net result was within 1½ per cent, taking the other factors into consideration as well—even the greater distance.

Mr. MCKINNON: Yes. There is generally a spread, as you know, of about 1 per cent in the cost of money in Canada, and this is reflected usually in the rates of return.

Mr. ANDRAS: Yes. Then, going right to home base of my area, at present we do enjoy a better delivered cost for natural gas in the northern rate zone than they do in the central rate zone, which is southern Ontario particularly. We have always made the complaint that many of our other economic factors represent a disadvantage to us in attracting industry, or supporting industry, or making industry competitive, and this is one place where we felt we have had an advantage. Now, I have been very, very eager to have somebody tell me that this price differential which is now an advantage will be maintained when the economies of scale take effect on this new program .Is that the case?

I have been given some figures which are in this report on page 4-25, I believe, which show the somewhat hypothetical reductions per m.c.f. for additional gas under the new contracts in the various zones. In the northern zone it would be 3.4 cents per m.c.f.; in the central zone, 3.6 cents per m.c.f. I can see the absolute reduction there, but does it still maintain the percentage differential?

Mr. MCKINNON: I could not tell you off-hand. That would mean there would be some rolled in price with those reductions, and it would depend on the volumes that were involved, as well.

Mr. ANDRAS: What is the policy involved here, Mr. Pepin? Under the Trans-Canada Pipe Line Act, or any legal application of legislation of this whole concept, does it require the economics of scale or of price reductions to be spread over the whole system?

Mr. PEPIN: I do not know if there is anything in the law on that subject .I have not seen it. I would have thought this would be a policy of the company more than the policy of the government.

Mr. MCKINNON: We have not had a rate hearing yet as far as Trans-Canada is concerned. They negotiate their contracts directly with their customers, who are the distributors, but they keep the prices within the zone roughly comparable.

Mr. ANDRAS: There are two different degrees of scale which perturb me. One, if, by virtue of the expansion, which is primarily resulting from the requirement of eastern Ontario—this is the need for this expansion; we need it too, but that is where it began—if, by virtue of the American route, the Great Lakes project, or even if, by virtue of the expansion of the twinning of the

northern line, the benefits in delivered price went to eastern Canada, in total this would be a terrible thing for us. To a lesser degree it would be very bad for us if the differential now existing were reduced.

Mr. PEPIN: I heard yesterday from a very important person in that business that it is only inasmuch as Trans-Canada can carry gas in eastern Canada, in Quebec and in southern Ontario at a better price, that they will be able to maintain the pricing advantage that northwestern Ontario already has.

Mr. ANDRAS: In the rate hearings which will come up eventually, does the National Energy Board have authority to enforce the maintenance of such a differential, or is this purely the prerogative of the company itself?

Mr. MCKINNON: In the first place, I might point out that all contracts made with distributors are filed with the Board, and they are open to the public. Now, the distributors know the nature of the other contracts, so they drive as hard a bargain as they can; and I think this is good, competitive arms-length bargaining for the distributors to see that they get the best deal they possibly can from the company. The company has divided its line into certain zones, so I presume that they maintain a certain differential between each zone.

I should point out to you that the Board's jurisdiction over tolls and tariffs, as far as Trans-Canada is concerned, on a gas line where the company itself owns the gas, it is merely over the transportation components and not over the wholesale price. We can just determine whether the transportation component is just and reasonable; that is, the difference between the cost of the gas as it enters the company's pipeline and the selling price. This is very complicated to figure out, because the cost of the gas as it enters the company's pipe line can vary according to the purchase contract at the other end; so you really have to take it at a certain point of time.

Mr. ANDRAS: It seems to me that your remarks give justification for my fears. If I interpret what you say correctly, then it is going to be the strength of our northern Ontario industry to bargain with Trans-Canada versus the strength of eastern Canada. The eastern Ontario industries—

Mr. MCKINNON: If the transportation component was unreasonable as between the various zones the Board could step in. Now, I think, for instance, that if Northern Central, who distribute in your area, felt that they were not getting a fair deal from Trans-Canada in relation to the distance that the gas has to be moved, they would immediately apply to the board for a hearing.

Mr. ANDRAS: And you would have some jurisdiction over such a case.

Mr. MCKINNON: We would immediately have a public hearing.

Mr. PEPIN: On the subject of different zone prices, the company has expressed no desire to change its present policy.

Mr. ANDRAS: In an interview at the lakehead the vice-president—whose name escapes me at the moment—went a little further than that.

With no disrespect whatsoever to Trans-Canada, I want to know what power the National Energy Board or the government has to step into this situation, so that we are able, through government intervention, to maintain the advantageous differential that we now have.

Moving to another point, on page 6-28 you deal quite extensively with the effects of this Great Lakes project on balance of payments, U.S. dollars. I will quote a part of this:

> On balance, therefore, the foreign exchange implications of the Great Lakes Project appear to the Board to weigh against the project, constituting a national cost, though not a cost to Trans-Canada.

Comparing the U.S. dollar flow into Canada in payment for export gas with the flow of Canadian dollars into the United States for payment of cost of transmission and capital costs, and so on, it appears that this Great Lakes project is going to create a worse deficit than we now have. Is my interpretation correct?

Mr. McKINNON: On the assumption thaat there would be no more sales to United States, that is right.

Mr. ANDRAS: Well, then, on the basis of the information that you now have, relating to export contracts, this statement is made; but if there were more export contracts that picture would change?

Mr. McKINNON: Yes.

Mr. ANDRAS: But it is all dependent on that? Is the factor known right now?

Mr. McKINNON: We only took into consideration the export contracts that were before us, and did not give any weight to the—

Mr. ANDRAS: Therefore, as the facts are known right now, it would result in an increase in the net deficit.

Mr. McKINNON: Yes; according to our calculations.

Mr. ANDRAS: It is a disadvantage rather than an advantage, in that respect?

Mr. McKINNON: Yes; as we had the facts at the time of the hearing.

Mr. PEPIN: You cannot ignore the fact that 113 million cubic feet a day are tied to this, and another 87 million going through the line; and the company, in their letters to me, have indicated that they have a fairly firm contract coming in for 100,000 cubic feet a day, and that there is the possibility of others. Although we cannot take these things as firm, we must, nevertheless, take them into consideration in our assessment of the situation.

Mr. ANDRAS: Let me ask this. Was the effect of those figures that you just quoted included in the report?

Mr. McKINNON: No, only the evidence we had at the hearing.

Mr. ANDRAS: I see: Those are additional very likely possibilities which were not considered when this statement was made?

Mr. PEPIN: Indeed.

Mr. ANDRAS: I am sorry to take so much time, but I would like to complete this question.

Mr. PETERS: Mr. Chairman, may I ask a supplementary question before we leave this point? The Board is now saying—and Mr. Pepin has indicated—that this 87 million that is included in the original application of the Great Lakes is not an expected figure.

Mr. PEPIN: It is a firm one, covered by an NEB permit.

Mr. PETERS: It is not an expected one. You are projecting much greater export sales than that 87 million.

Mr. MCKINNON: Not in this calculation, Mr. Peters.

Mr. PETERS: No; but you are saying, in effect, this calculation is not of any value; that it is only a calculation; that the expectations will probably be greater. The figure used the other day by one of the western members was 300 million.

Mr. ANDRAS: In all fairness, there is a difference in time here between this report and the second one.

Mr. PETERS: Trans-Canada really is exporting gas, and intends to export gas rather than transmit gas through the United States. It is a new American outlet, rather than—

Mr. PEPIN: Yes, but this is—

Mr. PETERS: This is a point that the Federal Power Commission is going to make a decision on. You are suggesting now that the figures you are using, which Trans-Canada has provided, although factual, do not really indicate what this particular line will be. The line is going to be an export line rather than a transmission line.

Mr. PEPIN: This is in great part due to the undertakings that Trans-Canada has assumed; and because of the undertakings the purpose of the pipe line will be slightly altered after a period of five years. There is no contradiction there. The presentation that the company has made before the Federal Power Commission has not changed.

Mr. PETERS: But it is no longer a transmission line of Canadian gas to Canada; it is an export pipe line going into the United States, with a portion of it coming to Canada.

Mr. PEPIN: I would think that instead of having, essentially, that first role of a western-eastern communication line, it has now taken more of a dual role, at least with respect to the future, or to the middle term, if not to the short term. I would think that this is in the best interests of Canada.

Mr. ANDRAS: But there is a timing problem.

Mr. PETERS: I have a further supplementary question, Mr. Chairman.

It is not necessarily in the best interests of Canada, though, Mr. Pepin, for us to make too much of that point while the hearings are still before the F.P.C. in the United States.

Mr. PEPIN: There is no reason to hide it. It is in the correspondence, and the correspondence is meant to be tabled, and the Federal Power Commission is aware of that.

Mr. ANDRAS: Furthermore, the Federal Power Commission will ferret it out even if we said nothing about it. This is going to be a major consideration.

Mr. PETERS: I have another supplementary question. Is it not also true, then that the National Energy Board of Canada loses all control of the transmission aspect because of the export role of Trans-Canada?

Mr. PEPIN: There might be two parts to the answer to that. The first is that indeed the Federal Power Commission has a control over that transmission; but, second, we could say that traditionally the Federal Power Commission has not abused the control that it has had.

Mr. PETERS: This is the first one.

Mr. PEPIN: I am talking also about other exports of gas, in general.

Mr. PETERS: The only thing that would be comparable, in my opinion, in transmission would be the New York Central which travels through Canada as a short route between two American points, with one stop in Canada under bond. Would that not be the only comparable transmission that we have?

Mr. MCKINNON: We have Lakehead Oil Pipe Line, a subsidiary of Interprovincial, going through the United States.

Mr. PETERS: Does it have a draw point in the United States?

Mr. MCKINNON: Yes; it is the only line between western Canada and Eastern Canada.

Mr. PETERS: No; but is there a draw point, or is it just straight transmission?

Mr. MCKINNON: It is transmission; and we export, as well, through the line. We not only bring the oil to eastern Canada but we use it to supply the export market in the United States.

Mr. PETERS: Then there is a draw point.

Mr. PEPIN: I was just drawing to the attention of the Committee the position that exists between the two countries on that.

The second point I wanted to make was that, even if you think in terms of United States control over the line, we have at least minimized the control by making sure that the main line would remain in Canada. This is the 50, 60, 65 per cent feature.

Mr. PETERS: The forty per cent greater capacity makes it the main line in the United States, no matter how you look at it.

Mr. PEPIN: What did you say?

Mr. PETERS: The forty per cent greater capacity of the southern route makes that the main line, no matter how you look at it.

Mr. PEPIN: No, it does not; because you have to compare loads not diameters. You have to compare the outputs and not the sizes of the lines. And you have to take into consideration also the export content of the line going through U.S. territory.

Mr. PETERS: Perhaps you have to compare, also, Mr. Pepin, the number of pumping stations you have on it, and pressure and other things, but, everything else being equal, a 36-inch line carries 40 per cent more at the same pressure.

Mr. PEPIN: Indeed there is the pressure factor and there is the export content in the Great Lakes line which you have to exclude from your calculations when you compare the northern Ontario and the Great Lakes lines.

Mr. PETERS: This is a bit of a play on words, but is it really a guarantee that there will be less going through the south rather than a guarantee that there will be more going through the north.

Mr. MCKINNON: Canadian gas?

Mr. PETERS: Yes.

Mr. PEPIN: We look at it from the Canadian point of view, and not from the volume aspect of the lines.

Mr. MARTIN (*Timmins*): I should have asked my question when we were dealing with the subject, but I think it is something that has caused a great deal of confusion. I would like to get it cleared up. In the comparison which was quoted, the $440 million versus $390 million for the Canadian versus the American route, of what does that consist? Is that for twinning the present line? Is that for building a new line through Canada? Is that for building another line on the existing route?

Mr. ANDRAS: Mr. Chairman, we have agreed that this would be tabled. I agree with you that there is too much confusion about what point in time, and at what stage of construction, and so forth—

Mr. MARTIN (*Timmins*): I understood that your question was on the matter of cost. I am interested in finding out just what type of line was proposed, and where. Was it twinning the existing one, was it building another one alongside the same route, or was it building a brand new route?

Mr. MCKINNON: The comparison was made on the investment east of Winnipeg vis-à-vis the Great Lakes construction in the United States, based on equal volumes of gas for eastern Canada for the years 1966 to 1975.

Mr. MARTIN (*Timmins*): Yes; but by what method?

Mr. MCKINNON: In the case of the northern line, it would be on a viable looping program.

Mr. MARTIN (*Timmins*): Looping the present route?

Mr. MCKINNON: Yes.

Mr. ANDRAS: On page 6-15 of your report you say:

> Trans-Canada has said in evidence that after five years Great Lakes will be a viable proposition without any further increment in transportation of gas for Canadian account, and that Trans-Canada will then take a fresh look at the desirability of providing for the further requirements of the southern Ontario and Quebec markets by a major program of looping through northern Ontario.

Now, in the new proposal which has been approved the commencement of that same major program—looping through northern Ontario—has been brought forward from 5 years to just over 3 years, which is the beginning of 1970. What has happened vis-à-vis the vague reference to the 5 year possibility to change it to a concrete commitment to 3 years now?

Mr. PEPIN: I think it has to do with the promises that they made to keep more than 50 per cent of the load through the northern Ontario pipe line.

Mr. ANDRAS: Therefore, they must think that it is economically sound to advance this now to only three years hence; whereas in their proposal for an American route, without any alternative northern route, the very best thought, which is vaguely expressed here, was five years. It seems to me that—again going back—had they started out in the beginning by concentrating on the northern twinning rather than the American route we would not be under this time pressure now.

Mr. PEPIN: This is dependent on their forecast of the growth of eastern markets. And on the commitments that the company have agreed to now. They have said that by 1970—and the National Energy Board has checked this and found that it is the right prognosis—they will begin looping the northern Ontario line.

Mr. ANDRAS: I am simply saying that it is further evidence that if they had started concentrating, in thought and attitude, on the northern line rather than the Great Lakes project, it would have been just as sound and just as feasible.

Mr. PEPIN: The National Energy Board took upon itself to compare the Great Lakes with a possible looping of the northern Ontario line, and, as you mentioned five or ten minutes ago, the results of their survey and analysis of the situation were not as favourable to the Great Lakes pipe line as could have been imagined. Nevertheless, the Great Lakes project is more favourable; contracts have been signed; planning has been done; and all that must be borne in mind when you make your decision on which one is the more favourable line.

Mr. ANDRAS: My concern here, Mr. Pepin, as I have expressed to you before, is the possibility that, Trans-Canda will come to the government of the day in 1970 and, with very plausible and perhaps even reasonable explanations say: "I am very sorry, boys, we cannot do this now," and the government of the day is going to have to look at it in the light of 1970.

Mr. PEPIN: You cannot anticipate what the government of that day is going to do. First of all, we do not know what the government is going to be at that time, but one thing is sure, Mr. Andras—

Mr. ANDRAS: Whether it is five years hence, or three years hence, I am suggesting—

Mr. PEPIN: —and that is that the obligations of the company are very real, and there is a clause in the agreement that says that for every violation of every part of the agreement there will be a penalty of $1 million—

Mr. PETERS: Up to, or any part of—

Mr. PEPIN: No, it is $1 million for every violation.

Mr. PETERS: Up to a maximum of $1 million. It could be $1,000.

Mr. PEPIN: No. I remember, because there was a long discussion.

Mr. PETERS: As the letter reads, it could be "up to".

Mr. PEPIN: Do not read the letter; read the full agreement which is the definite text.

Mr. MARTIN (*Timmins*): I have a supplementary question, Mr. Chairman—

Mr. PEPIN: To conclude on this, if the government of the day in 1970 wants to tie the company to its 1966 commitments they will have everything in their hands to do that.

We cannot force the government of that day to use the punitive clauses or the agreement.

Mr. MARTIN (*Timmins*): Mr. Chairman, we are told that the decision to go ahead with this southern line was based on economics. Why cannot we expect that they will not base it on economics five years from now?

Mr. PEPIN: As Mr. Andras mentioned—and I go along with him—the planning that was made by the company is a very important factor. I have been told that the company has spent $3 million in this planning, T.C.P. will have no justification for doing the same thing in the next round.

Mr. MARTIN (*Timmins*): What justification did they have this time?

Mr. PEPIN: The justification is that they acted in good faith; that they thought their project was in the Canadian interest; that they did not expect the government to reject it, and so on.

Mr. MARTIN (*Timmins*): In face of the recommendation from the energy board that the shortage was developing?

Mr. PEPIN: Yes; and the proof that the company was of good faith is that the National Energy Board agreed to the proposition, but brought to the government's attention a certain number of matters of public issue that the National Energy Board thought was beyond its jurisdiction. In my view, that is another proof that it was a justifiable approach on the part of the company to plan for the Great Lakes line.

Mr. ANDRAS: It still comes back to the point that, had they taken the other choice, and had concentrated, on planning for the northern route and proving the viability of the northern route, and so forth, that is the way we would be going today instead of having the Great Lakes project.

Mr. PEPIN: Then we have to refer ourselves to the comparison that the National Energy Board made, between the two lines, which is still favourable to the Great Lakes project.

Mr. PETERS: But it was cheaper to build it in the United States in the first place, and everybody knew this. We decided that, in the Canadian interest, we were going to have Trans-Canada in Canada, and this was an established principle. Cost did not enter into it originally; and, Mr. Pepin, we also gave them a great sum of money. This Trans-Canada is a favoured, pampered pet of government. We built the whole northern line for them, and we turned it back to them at cost, and they were glad to get it at cost, ten years after we built it. We built it; we supplied it; money was no object. I am sure that if they had come to you asking you for the loan of money to build the northern route again we would have done that.

Mr. SHERMAN: Could I ask just one more supplementary question?

Mr. PETERS: Let me just read what the clause says:

> If Trans-Canada or Interfield shall fail to perform or neglect to fulfill any of the terms or cognizances contained in this agreement, the government of Canada may, from time to time, forfeit to itself in respect of each such failure or neglect an amount stipulated by the government of Canada, not exceeding the sum of $1 million in respect of any one forfeiture.

"Not exceeding" which means "up to" $1 million—not $1 million—but up to $1 million. As I read the Criminal Code and other things, when you put in "up to", or "not exceeding", this means any amount up to that but very seldom ever that amount.

Mr. PEPIN: You're right on the "up to" the government has the choice making it $1 million.

Mr. SHERMAN: Mr. Pepin, it is my understanding that one of the main considerations involved the risk of the possible loss of the southern Ontario market if we did not get a line into southern Ontario within 12 months, I believe, or within a period very close to 12 months. This was one of the principal considerations, was it not?

Mr. PEPIN: That, indeed, is correct.

Mr. SHERMAN: It would seem that that consideration would be of over-riding—

Mr. PEPIN: This is what I tried to show in the House in my speech, that you have many of factors bearing on this problem that we are studying now. Some of them are not too favourable, but others are very favourable.

As far as I was concerned, it was just a matter of deciding on which side was the heavier. This is why I am quite willing—and I have said this before—to agree that there are some disadvantages in this project; but on the whole—"on balance," as you say in English—it is still the favourable one.

Mr. SHERMAN: It seems to me with all respect to Mr. Peters and Mr. Martin —that this is—the answer to the questions which they in all good faith have raised. There is a time factor; there is the potential loss of a huge market; that was the major consideration—

Mr. PETERS: Certainly not. Trans-Canada could have bought from any number of customers in the United States in the export of gas field. There is no question that if the Federal Power Commission does not allow the granting of the permit for transmission through the United States, they are going to have to buy from Northern Gas, they are going to have to bring it in from the south, and they are going to have to do this on a contractual basis. Trans-Canada, if it wants to maintain those markets, is going to have to buy gas from Northern and bring it in. And if the Federal Power Commission—and this is quite a possibility; in fact, it is almost a probability—does not allow this export of gas, because they realize that they are talking not about 87 million but about 500 million or 600 million cubic feet, then we are going to have to build the Trans-Canada line in Canada anyway to get gas into our eastern markets to look after our own import-export arrangements.

This is almost a national policy rather than a Trans-Canada policy and the point that we make is that we might as well do it now rather than wait until we are a victim of the oil lobby in Washington, which is obviously going to play a big role in this.

Mr. PEPIN: A thought comes to my mind, while you are talking about this: if the decision of the Federal Power Commission should be a negative one we will have to go through an agonizing reappraisal.

Mr. PETERS: That is a masterpiece of understatement.

Mr. MARTIN (*Timmins*): Mr. Chairman, if, as was pointed out, the factor was the speed with which we had to get into the southern market before we lost it, then why in Heaven's name, if this is a factor, do we place ourselves at the mercy of the whim of a foreign power commission? That does not seem to me to be the way to solve a problem in a hurry. That hearing could drag on for months, or for years, and it could be turned down; and we have wasted two years in the process of trying to reach this market.

Mr. PEPIN: You are assuming that no other planning is taking place at this time.

Mr. MARTIN (*Timmins*): I do not know.

Mr. ANDRAS: Mr. Chairman, I have about 15 more questions, but I will try to boil them down to three, because time is pressing.

The question has arisen now of the legality of this decision related to the Trans-Canada Pipe Lines Act and the section therein which says that the main line will be in Canada. Has there been any Department of Justice advice on the legality of the decision as of now?

Mr. PEPIN: The National Energy Board has given its opinion and it has legal advice; of its own. I think that the undertakings that the company has agreed to make it obvious that the main line remains in Canada. This is true as of now, because of the 50 per cent rule; and this is getting truer and truer—if you want to put it that way—as the proportion of load carried in Canada increases to 60 and to 65 per cent.

Mr. ANDRAS: So that the executive phrase in there is "50 per cent or more" to identify the northern line as the main line, regardless of diameter of pipe and so on. This is your—

Mr. PEPIN: There could be a debate, about the percentage that it is necessary to reach in order to call a line a "main line", and could be a long debate; but we thought that the 51 per cent was sufficient, at least at the beginning, to call this a main line, and this percentage climbs as the years go by.

Mr. PETERS: Could I ask a supplementary question?

Mr. PEPIN: There were also some other legal aspects to this. You may remember that in the communique of the 25th of August we referred to "the spirit" of the Trans-Canada Pipe Lines Act in section 6, to the effect that the main line should be in Canada. One could have invoked other intricate legal points to justify the project.

Mr. PETERS: Is the National Energy Board prepared to refrain from intervening in an application for an injunction that we are trying to make through the courts? Are the Board prepared to allow us to make that because of their Crown position?

Mr. PEPIN: The Chairman will answer that there is another possibility of appeal.

Mr. MCKINNON: I do not think the Board should take a position. It is the government who should take a position on that.

Mr. PEPIN: I just wanted you to quote the Act, stating that a decision of this kind can be appealed on legal grounds to the Supreme Court; not on facts, but on jurisdiction. Is that not so?

Mr. MCKINNON: Yes. Mr. Peters was talking about an injunction, and I think it would be for the government to determine whether they wanted to intervene or not. I do not think the Board could do it on its own.

Mr. PETERS: There is some technicality, because a Crown agency has to give permission to allow an intervention to take it to Supreme Court. There has to be a certain amount of agreement in order that—

Mr. MCKINNON: As the Minister has pointed out, sir, in our law any decision of the Board is appealable. I do not think there is any appeal on facts, but there is on law.

Mr. ANDRAS: On page 3-23 you make the statement that the province of Ontario did not propose to intervene, in the original application. They never did, in fact, intervene, did they?

Mr. MCKINNON: No, sir, I do not think they did. We listed all the interveners, and I do not recall that the province of Ontario was one.

Mr. ANDRAS: There was no change, then?

Mr. MCKINNON: No.

Mr. ANDRAS: Finally, just to sum up the questions; I have not established the capital cost difference in my mind, but it would seem that it is not tremendously significant because of the fact that the difference in transmission costs which include the effective capital investment and cost of money and depreciation, is not significant—coming back to this 1½ per cent difference in transmission costs—and if the balance of payments is not particularly favourable, based on the facts as they were known—and in fact I think it is safe to say that this is the only fact that has been positively identified—then the $64 question is: The transmission cost is not significantly less; the balance of payment, according to this report, is, in fact, perhaps unfavourable. What are the advantages of the United States route?

Mr. PEPIN: That is the layman's approach. I took the same approach at one point. I found out later that when you consume gas, for industrial purposes a five per cent difference over the first five years is a major consideration.

Mr. ANDRAS: Except that the five-year factor seems to recur. This theme of the five year—the immediacy and, if I may say so, the expediency of looking at the immediate five years ahead—is a recurring theme throughout this whole report.

I got the impression that you were somewhat reluctantly, finally recommending approval of Trans-Canada's first Great Lakes project, not the one that we have now, and that that reluctance was largely based on the pressure of time.

Mr. Sherman has brought out the need for eastern Ontario to get gas now, and that this project of the Great Lakes would be faster in completion, and so on. But, good gracious, five years is such a drop in the bucket in time in this country, for futures, and the economic scene after five years could be very favourably disposed towards the northern route. This comes back to the $64 question: Why did we go that way?

Mr. MARTIN (*Timmins*): Before that question is answered could I ask just one more supplementary? I do not have a copy of the report of the energy board here, but I recall the figures where they said that in the first ten years there would be a saving of some $75 million in transport and distribution costs. But they also said that if the line were built through the United States instead of through Canada there would be a loss to Canada of from $700 million to $1 billion over that same ten-year period. In view of that—

Mr. ANDRAS: That is referring to the factor—

Mr. MARTIN (*Timmins*): —I pose the question: Why was the decision made to approve it in the first place?

The CHAIRMAN: Mr. Minister, do you have any comment to make on the statements that have been made by Mr. Andras and Mr. Martin?

Mr. PEPIN: I was going to answer that by repeating how important the first five years are for the success of the project, in terms of establishing markets, making imports unnecessary, and so on. As Mr. Sherman has said. If new routes are developed from the United States it will be very difficult to go back on the newly created patterns. There would also be difficulties with the financing of the project.

Mr. ANDRAS: On that one point, you also make the reference in your report that it might have been difficult, but certainly not impossible, to have financed a northern route.

Mr. PETERS: What was the thought with regard to asking the government to finance it in order to make the allowance. You are talking about a saving which varies from $14 million to $49 million as opposed to $1 billion of multiplier effect in Canada. Surely the government would give consideration, if necessary, to lending this money at least to meet and maintain the needs of eastern Canada in this regard. We have done it with railways; we have done it with a lot of other things.

Mr. PEPIN: As they say in the House, this is a hypothetical question.

Mr. PETERS: No, it is not a hypothetical question. It may happen, Mr. Chairman. It may happen very shortly. Let us ask a hypothetical question. What is the government's intention if the Federal Power Commission will not allow this transmission line through the United States?

Mr. PEPIN: The Speaker would rule the question out on the basis that it is hypothetical.

Mr. PETERS: Well, I am asking the hypothetical question, because it is a fairly good possibility.

The CHAIRMAN: As Mr. Martin would say, this will depend on the circumstances, and of course, as we all know, the circumstances will be governed by the facts as they arise!

Mr. SHERMAN: May I ask Mr. Peters a hypothetical question? You are comparing the multiplier effect from one aspect of the argument with specific figures given in another aspect of the argument. They are not comparable—

Mr. PETERS: They are both supplied by the National Energy Board. After having done a survey of the costs on one hand and the benefits on the other hand in both cases. The National Energy Board's responsibility, it seems to me, should be in terms of the Canadian economy rather than in terms of Trans-Canada's need.

The one figure that has not been related, in answer to Mr. Sherman's question, is the projection of the 1.5 which also is a flexible figure. There would be a saving to the consumer in the major markets whether they be in Montreal or Toronto, but that figure has never been really projected and I would like to see a projection of that figure. When we are using this low of $14 million up to, shall we say $50—whichever you wish to use—it would have to be added on, I agree; but I would still be doubtful if that would raise it anywhere near a billion dollar multiple factor.

Mr. ANDRAS: Mr. Chairman, if I may, I will read into the record the Board's statement on this multiplier factor which appears at page 6-29 of their report:

> Trans-Canada's evidence did not meet the point that the investment in a loop of the present line through Northern Ontario would have income generation effects important for Northern Ontario and perhaps significant for Canada as a whole. A Board calculation, using Trans-Canada's estimates as to cost, timing and source of materials for a looping program in Canada, suggests tht these "multiplier effects" would generte income in Canada in the ten years following commencement of construction in the order of a billion dollars in the case of a 36-inch loop and some $700 million in the case of a 30-inch loop. While these figures were not tested by cross-examination, and are therefore mentioned only as being indicative rather than substantive, it is apparent that whatever the right figures may be, these income generation effects would be permanently lost to Canada if the Great Lakes line were built, and a further loss would occur at each stage at which the facilities of Great Lakes were increased rather than facilities in Canada.

This is tempered now only by the fact that we have a commitment and promise to twin the northern line starting in 1970, which we did not have at the stage at which this report was presented, but it is very significant.

Mr. SHERMAN: Has anybody said anything about the multiplier effect of getting that gas into the southern Ontario market in the next twelve to eighteen months, and what that is going to do for the Canadian economy?

Mr. PEPIN: All the advantages of constructing the line in northwestern Ontario can be complemented by the establishment of a smelter in the same area made possibly by lower cost and higher supply of gas.

Mr. ANDRAS: Well, I would like to have both, Mr. Minister.

Mr. PEPIN: Yes. This is the moment of truth, is it not? You would like to have everything, and it appears not to be possible.

Mr. ANDRAS: No; you know my feelings.

The CHAIRMAN: Gentlemen, in the last few minutes it seems to me that we have reached a clearer understanding because of the intervention of Messrs. Andras, Martin and Peters on the one hand, of Mr. Sherman on the other, and the lucid expressions of the Minister in trying, as he always does, to encompass all bodies of opinion.

This leads me to a suggestion that I would like to make to the Committee. We could go on for a considerable amount of time on some of the details. This morning we have gone on for an hour and a half, and we have had in that hour and a half a thorough questioning by Mr. Andras, through the very generous attitude of the Chairman in permitting him to speak so long, many supplementaries, and the comments of Mr. Pepin and Mr. McKinnon.

I suggest that it might be expedient for the Committee to pass Vote 110 now, because we can continue with discussion on it at our next meeting; although I wonder whether we would really advance anything by having further discussion on the subject. It has seemed to me, particularly in the last few minutes that the Committee has come to what is really the nub of the matter. Some individuals will have their own interpretation of this, and perhaps it will not alter the interpretation of other individuals. I say this because it has been suggested to me that perhaps at an early date this item should be returned to the House, which of course, would afford us a further opportunity of discussing this matter.

Therefore, I wonder if it would be your wish at this time to pass this estimate? If so, of course, a motion would be in order. Do I have a motion that we pass the estimate?

Mr. ADDISON: I so move.

Mr. SHERMAN: I second the motion.

The CHAIRMAN: All those in favour of the motion? Those contra-minded? The motion is carried and the Vote shall be returned to the House.

Mr. PETERS: You say you can return the Vote, but we really have not come to any conclusion except on our disagreement.

The CHAIRMAN: Is there another conclusion, in view of what has been said here today, that we are apt to arrive at in the foreseeable future? We have two sides of the issue.

Mr. PETERS: I know I should not ask this now, because the Vote has passed, but I would like to ask Mr. McKinnon why the Board allowed the establishment of gas in Ontario through the Trans-Canada pipe line at a higher B.T.U. rate than eventually was provided?

As I understand it, a unit is 100 B.T.U., and with an excess of propane or butane in that gas you can increase this. Northern was carrying gas as high as 117 B.T.U. When they put in the Empress plant, which is a large one—I believe it is rated at 200 million cubic feet, whatever that may be—they reduced this to approximately 100, or perhaps 101, and this meant that in my area it really cost every householder $50 to $75 a year more.

Mr. McKinnon: Mr. Peters, in the first place this Board did not approve the original Trans-Canada application. This was done before the Board was established.

Trans-Canada were buying gas in western Canada on a B.T.U. basis, that is, their purchase contracts were mostly on a B.T.U. basis. They were selling gas to the eastern distributors on a volumetric basis so that they could guarantee that the gas would not be less than 1,000 B.T.U.'s. Trans-Canada were paying more for the gas than they would have had to if it were 1,000 B.T.U. When the Empress plant was put in, the B.T.U. content was reduced from around 1,042 B.T.U.'s to about 1,004 B.T.U.'s. This would be a reduction in B.T.U. content of about 3.64 per cent.

I do not know just how you arrived at the $50 to $75 figure, Mr. Peters. I wonder whether you could give me some help?

Mr. Peters: What happened was that we checked with Northern their monthly figures and they were calculating it on a 100 B.T.U. basis. You are using 1,000; they used 100.

Mr. McKinnon: No; the way to do it is to use 1,000, Mr. Peters. That is the normal way that it is done.

Mr. Peters: They used 100, or whatever it might be, and they were getting 116 to 117, I believe; and this was reduced to approximately 101. The people who were heating tell me that, using the chill factor that the Ontario Hydro developed for heating purposes, which is the temperature times the hour times the number of degrees per day, they arrived at a figure and that there is a very close similarity over the last three years. My constituents write that their heating bills for the year are now $50 to $75 more than they were previously.

Part of this might stem, as the engineers say, from the type of equipment that was put into the houses. It seems to be a very minutely-adjusted type of equipment that will handle a limited range, and when you reduce the range this may play some role in whether or not you are getting full utilization of the gas that you are burning. You may have a different type of furnace for a different type of B.T.U.-content gas; this varies from manufactured gas to natural gas and other factors. However, they claim that they are paying $50 to $75 a year more for the average home.

Mr. McKinnon: There should not be a 16 per cent difference, Mr. Peters, because—

Mr. Peters: You used the 3½ per cent figure.

Mr. McKinnon: No, Mr. Peters. The way you measure the calorific value of gas is on the British Thermal Unit basis. Now, the contract that Trans-Canada has now with most distributors is for 1,000 B.T.U. gas.

Mr. PETERS: Well, perhaps I am wrong.

Mr. MCKINNON: Originally—

Mr. MARTIN (*Timmins*): Mr. Chairman, on that very point, this is quite true. But what happened in the north was that the gas was sold on the basis of the B.T.U.'s. It carried at that time, and it was only after everyone who was going to go into gas converted to gas that the plant was built, and the propane and the butane was drained off, and then for heating the same house your costs rose, as Mr. Peters says, an average of $50 to $75 per household.

Mr. MCKINNON: They should not; and this is something that should be looked into. I think this is up to the Ontario energy board, as far as the retail price is concerned, because the contract that Trans-Canada made with the distributors called for 1,000 B.T.U. gas. They were paying for the gas on a B.T.U. basis, so they were paying for it originally on the basis of 1,042 B.T.U.'s. If you take the difference here it is about 3.64 per cent. The heating bills should not have increased much more than about 4 or 5 per cent.

My advisers tell me that the average house would probably require around 200,000 cubic feet of gas a year, and we have calculated that the cost there now based on the northern rate zone would be somewhere around $250. If you take 5 per cent of $250, that comes to $12.50 or about $1 a month.

Mr. MARTIN (*Timmins*): Well, there is something radically wrong.

Mr. MCKINNON: There is. I can appreciate your problem. I do not know why there should be that difference.

Mr. PETERS: We raised this with the provincial energy board. It is perfectly true that these people were getting more value for their gas dollar than they were entitled to, as though they were buying high octane gasoline because the dealer did not have any regular. Some cars will not burn it, and it is not an advantage, and vice versa; but the fact remains that the sales were regulated on the basis of one type of gas and then they were given another type of gas.

The provincial energy board investigated this matter and one of the conclusion of their engineers was that it may be that people were sold a particular type of equipment that did not work effectively—

Mr. MCKINNON: My adviser here was at one time adviser to the Alberta government on gas, and he tells me that a range in the heating facilities, wherever they are, of 5 per cent really should not make any difference in the heating efficiency.

Mr. PETERS: Part of it stems from allowing the building of the Empress plant.

Mr. MCKINNON: We have been asked to look into this further. I do not think you can altogether blame the Empress plant.

Mr. PETERS: They took the propane out.

Mr. MCKINNON: Yes; but the contracts that Trans-Canada have with the producers, as I understand it, were on a B.T.U. basis. Now, with the extra demand for propane it would pay the producers through their processing plants, to take a deeper cut anyway. Trans-Canada never had any guarantee from the producers that they would—

Mr. PETERS: These people in NONG at that time—they are Northern Central now—were not aware of what the gas contained in the first place. You could not call it fraud, but there was a lack of explanation of the fact that they were getting a better grade of gas than they could anticipate under the contract.

Mr. MCKINNON: I do not know anything about that Mr. Peters. As I say, I think this is a matter for the Ontario energy board to look into.

Mr. PETERS: They did, but they did not do anything.

The CHAIRMAN: Thank you very much, gentlemen.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. RICHARD CASHIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 13

THURSDAY, DECEMBER 1, 1966

Respecting
The subject-matter of the designated area programme and the criteria thereunder.

WITNESSES:

From the Area Development Agency, Department of Industry: Mr. W. J. Lavigne, Commissioner; Mr. J. A. Teeter, Deputy Commissioner. *From the Department of Manpower and Immigration:* Mr. F. V. S. Goodman, Special Assistant to the Deputy Minister.

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STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Richard Cashin

Vice-Chairman: Mr. Ovide Laflamme

and

Mr. Addison,
Mr. Andras,
Mr. Beaulieu,
Mr. Bower,
Mr. Davis,
Mr. Faulkner,
Mr. Forest,
Mr. Fulton,
Mr. Goyer,
Mr. Grafftey,
Mr. Hales,
Mr. Hopkins,
Mr. Langlois (*Chicoutimi*),
Mr. Latulippe,
Mr. Legault,
Mr. McCutcheon,
Mr. O'Keefe,
Mr. Peters,
Mr. Reid,
Mr. Saltsman,
Mr. Scott (*Victoria (Ont.)*),
Mr. Sherman—(24).

(Quorum 9)

Fernand Despatie,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, December 1, 1966.

The Standing Committee on Industry, Research and Energy Development met at 11.15 a.m. this day. The Chairman, Mr. Cashin, Presided.

Members present: Messrs. Andras, Bower, Cashin, Davis, Faulkner, Fulton, Hopkins, Legault, Saltsman (9).

In attendance: From the Area Development Agency, Department of Industry: Messrs. W. J. Lavigne, Commissioner; J. A. Teeter, Deputy Commissioner; Gordon Haase, Senior Economist, *From the Department of Manpower and Immigration:* Mr. F. V. S. Goodman, Special Assistant to the Deputy Minister.

The Chairman opened the meeting and the Committee resumed consideration of the subject-matter of the designated area programme and the criteria thereunder.

It was noted by the Chairman that certain groups had indicated their wish to appear before the Committee. The matter is being discussed with members of the Subcommittee on Agenda and Procedure and it is expected that one group will be represented at the next meeting of the Committee.

Messrs. Lavigne, Teeter and Goodman were questioned.

The witnesses were thanked and the Chairman indicated that the examination of departmental officials was concluded.

At 12.30 p.m., the Committee adjourned to the call of the Chair.

Fernand Despatie,
Clerk of the Committee

25293—1½

EVIDENCE

(*Recorded by Electronic Apparatus*)

THURSDAY, December 1, 1966.

The CHAIRMAN: Gentlemen, I call the meeting to order. We have a few other members who have indicated they are on their way here.

The last day we actually met was with Mr. Pepin. When we were last discussing the matter of the Area Development Agency we had, I believe, a fruitful exchange of questions with the minister and the general approach at that time seemed to be covered fairly well, but I think some members indicated that they might like to put some questions to the officials themselves and so we have called them back today. Perhaps the questions will be of a more technical nature. Most of our concern, at least I gathered this from conversations with members and judging from the questions that were asked before, had to do with the area of policy. These questions, as you realize, are more properly directed to the minister than to the officials, but perhaps there may be some technical questions or information that we could get from the officials themselves.

I would also inform you that we have representations from two separate groups to come before us. That is a group from northern Ontario and a group from western Ontario, and we discussed this with the minister openly at the last meeting, and it was pointed out then that this may, in fact, be primarily a provincial problem but at the same time there was a consensus that it might be useful for us to offer these people the opportunity to come before us because it would perhaps help us in our own perspective on the Area Development Agency.

One of the matters that I think has perhaps caused most of the discussion has been that we are not as clear as we might be as to the actual function of the Area Development Agency and what it is going to do and whether or not we agree with the function and this cannot really be determined until we are absolutely clear in our own minds what the function of the agency is as set out in the legislation and as interpreted by the people who are administering it.

Mr. Hopkins indicated he had a few questions he would like to put.

Mr. HOPKINS: I wonder, Mr. Chairman, if we could again have the names of the gentlemen here. I just met a couple of them briefly.

The CHAIRMAN: This is Mr. Lavigne next to the Chairman, this is Mr. Teeter, the deputy commissioner, and Mr. Haase.

Mr. HOPKINS: Thank you. I would like to know what steps the Department of Industry is taking to ensure that their program works. What are you doing in the line of publicity? Do you send information out to the various municipalities? Are there surveys taken to show the growth in areas where your program has applied? I think, first of all, I will stick with publicity. What publicity do you give to the purpose of your work.

Mr. W. J. LAVIGNE (*Commissioner, Area Development Agency*): Well, Mr. Chairman, this is one thing that we have concentrated on in the past, especially at the outset of the new program, the grants program. We organized a series of seminars across the country in co-operation with the provincial governments and local development groups. We started having seminars in the key centres of the designated areas right across the country, working down to the smaller municipalities towards the end.

The CHAIRMAN: Excuse me. This is the Area Development Agency which had a discussion with the minister, and this morning we are just questioning the officials on some technical matters.

Mr. LAVIGNE: The first step in publicizing the program was a matter of organizing seminars across the country, mainly in designated areas, to acquaint not only the provincial people but the local people with the program.

Since then, of course, we have prepared articles for Canadian and American publications in industrial development and area development magazines that have a fairly wide circulation. We have a mailing list of several hundred organizations and firms to whom we have sent all of the information on the program in the form of copies of the act, the regulations, press releases, and this sort of thing. As we develop a new piece of publicity, whether it be a booklet or pamphlet, we put this on the mailing list. This covers chartered accountants' offices, consulting engineers, lawyers and people who directly or indirectly are interested in industrial development work.

Latterly we have booked into six American exhibitions. With the help of our line branches we selected six of the most important trade expositions in the United States, where we set up a very small display outlining the main benefits available under our program and we have sent two of our officers to each fair, not only to attend the fair itself and be at the disposal of people wanting to ask questions but also to make themselves available to radio and television locally for interviews and questions on the matter of designated areas in Canada. We have covered two of these fairs, one in Cleveland and one in Louisville. I might say that the results we have obtained from these have been very gratifying in the matter of our designated area programs and in the matter of enquiries regarding the possibility of setting up industries of different types in Canada in designated areas and outside designated areas as well.

We have followed up these enquiries with the help of our line branches.

Mr. HOPKINS: Mr. Lavigne, you and I have had discussions about the problem in my particular area of Renfrew county and other centres of Ontario that are having similar problems of lack of economic growth. Have you made any studies within the Department of Industry or has any other government agency made any studies to indicate the kinds of industries that would be applicable to certain areas?

Mr. LAVIGNE: We have a modest fund available to the agency for undertaking feasibility studies to verify the possibility of setting up industrial opportunities in designated areas. These studies would necessarily have to be initiated by

the provincial government. That is, we expect the provincial government to initiate or to convince us of the necessity of investigating or verifying the possibility of setting up an industrial development of some kind in their province. We offer to pay the cost of this study on the basis of 50 per cent. We have had some requests from the provinces to undertake this type of study. We work with the provinces on the matter of feasibility studies in designated areas.

Mr. HOPKINS: This partly answers my next question, which is how closely do you work with the provincial governments? For example, in relation to areas where economic growth is non-existent, have you met at any time with the appropriate minister for instance in the Ontario provincial government to put forth recommendations or try to persuade them to bring in some program to be of assistance to such areas?

Mr. LAVIGNE: Yes, we have one of our officers assigned to the province of Ontario and he is in constant contact with the Department of Economic Development. Both the deputy minister and myself see the deputy minister and the minister in Ontario frequently. We have undertaken studies in Ontario and we have asked for the counsel of the provincial government in undertaking these studies and, in fact, they have helped us in certain instances. In most instances we expect the provinces to help us to write up the terms of reference of these studies and also, in some cases, to go along with us in supervising it and it is made available to them for their use when it is completed.

Mr. HOPKINS: Mr. Chairman, this is another very important question that I want to ask. First of all, we feel that we are more or less just batting up against a wall here. If our labour force had remained at home we probably would have been on designation but they have to move to other areas to get work and therefore our unemployed figure remains low and we cannot get designated under the federal policy, which is based strictly on unemployment figures. As I understand it, constitutionally this is the only basis on which the federal government can operate on such a scheme. Is this true?

Mr. LAVIGNE: Well, I think our minister has covered that point quite thoroughly in the last two meetings as to the matter of jurisdictions and how he sees this program fitting into the general economic development of areas in Canada, yes.

Mr. HOPKINS: On the other hand, the provincial government claims that it has the right to say whether or not industry is going to be decentralized or have incentive programs to decentralize industry within a province. This means, in effect, that industry will go to the designated areas that are operated under federal jurisdiction before they will come to an area that is not growing economically, and hence is not designated because the unemployment figures are not there to justify it.

Secondly, they will go to larger centres like Toronto, Montreal, Hamilton, or Windsor, which means that in effect areas in Ontario, and this applies to other provinces, that lack economic growth and yet have not got the unemployment figures to justify designation, and if the provincial government concerned does

not take the appropriate action to initiate legislation that would decentralize industry or at least give some type of incentive to decentralize industry within a province, these areas are just left in a stagnated condition.

Is there any indication from the provincial government in Ontario that they will bring in such a program? Is there anything in existence now that would promote any decentralization of industry within this province?

Mr. LAVIGNE: To my knowledge I would be inclined to answer, no, to both your questions. First of all, there is no existing program to encourage the decentralization of industry in Ontario and, secondly, I know of no proposals to undertake such a program on the part of the provincial government.

Mr. J. A. TEETER (*Deputy Commissioner, Area Development Agency*): Might I just add, following on from Mr. Lavigne's last remark that I think the Ontario Development Corporation, O.D.C., although not having a clearly defined policy based upon lending authority in relation to certain regions of the province, clearly are indicating under their new legislative authority passed this year that they will look more favourably upon financial assistance being directed into some of these areas of the province that you are referring to, and less inclination perhaps in certain circumstances to possibly assist industry in the Georgian Bay region, where we have been taking up the slack and have been involved in considerable new industrial development and activity there. So that in this sense I think you see a working together perhaps of the federal and provincial policies and programs, with now a greater emphasis in O.D.C. out into possibly other parts of the province where we are not involved and, secondly, away from the major urban centres of southern Ontario.

Mr. HOPKINS: If I may ask one more question, Mr. Chairman. Suppose several areas that are bordering each other get together and request that your particular department, Mr. Lavigne, get together with the Ontario government to discuss what can be done for areas of non-economic growth, and here I am thinking particularly of the Eastern Ontario Development Association, which could possibly act as the co-ordinating body, would the federal Department of Industry be willing to meet with the Ontario government and with such a body from an area that needs economic development to discuss this problem and to discuss the possibility of such a joint program—if it must be a joint dominion-provincial program—coming into existence? Here I am thinking that maybe the province does not want to take the initiative on its own. Why, I do not know. If they do not want to take the initiative on its own, then possibly if we could get a discussion going between the federal Department of Industry and the Ontario department, and possibily the federal government could offer certain sums of money towards such a program, is there any possibility of working something out for areas of non-economic growth under these conditions?

Mr. LAVIGNE: I have no doubt at all that if we were invited by the provincial government to discuss this matter that we would be more than willing to participate and do all we can to develop some kind of a program. However, it must be appreciated here that the provincial government is quite jealous of its

prerogatives, and in all the discussions we have had we have never yet been invited to sit down and discuss this sort of thing.

Mr. HOPKINS: This is one thing that bothers me in particular, because jealousy does not provide much industry and this is why I say we feel that we are batting our heads against a wall, but I appreciate the answers that you have given me. Thank you, Mr. Chairman.

Mr. LAVIGNE: I would just like to go back to one point if I may, Mr. Chairman, that you mentioned in passing, and that is the percentage of industry going into designated areas. I think you left the feeling that the designated areas are attracting a good part of the industry away rom these non-growth areas. I would estimate that our program is attracting under 5 per cent of the total industrial expansion that is taking place in Ontario, so that it is a very small percentage of the total industrial expansion. Certainly all areas of Ontario have an opportunity to share in the growth that is taking place.

Mr. FAULKNER: May I ask a supplementary, Mr. Chairman. Would it not be true to say that it is not the designated area program that is jeopardizing slow growth areas, it is areas like Toronto. I do not know if you have figures on the number of new industries that have located in what could be described loosely as the Toronto area, but if my information is correct it is highly disproportionate. I think some very serious criticism could be levelled at the government of the province of Ontario for not taking a more active approach to the constant acquisitive powers of areas like Toronto which have a built-in market, a built-in communications system, and however inadequate it may be it is better than most areas. They seem to be, in my view, seriously jeopardizing areas such as yours, Mr. Hopkins, and areas around Peterborough, which I happen to represent, and particularly areas to the north. There is only one way this can be overcome and it is not through a designed area program, it is through a more intelligent view of regional development. Whether that is the prerogative of the province or of the federal government I think is still disputable, but clearly at this point it is generally agreed at the federal and the provincial levels that it is the responsibility of the province. As long as you work under those terms of reference and the responsibility lies at the provincial level, I would hope they would do something about it soon.

Mr. HOPKINS: Mr. Chairman, if I may comment on the statement which Mr. Lavigne made. He knows that I feel very strongly about this particular subject. I think it is to the credit of the federal Department of Industry that 5 per cent of our new industry is going into these designated areas because if the federal policy did not exist from a percentage standpoint, the industry that would be going into these areas would be practically nil. I do not think that he needs to feel badly, or that anyone needs to feel badly about only 5 per cent going, because this is 5 per cent better than what it would be under normal conditions. Even if we can get a certain percentage of industry diverted into these areas of non-economic growth, it means a tremendous thing to these communities. The average residence tax paid in the town of Pembroke is at an astronomical figure, and this is because the amount of industry there is far out of proportion to the

residential factor, because a lot of our people from the town of Pembroke work in the military camp at Petawawa or at Chalk River, so a town like Pembroke becomes a residential town with some industry but the resident pays the burden of the tax load. This is why it is a very important factor in that part of Renfrew county. I hope that the Department of Industry, and particularly the province of Ontario, will start taking a very serious look at bringing in policies that are going to assist areas like ours and, as Hugh Faulkner said, in Peterborough, because if we do not do something about this soon we are going to become a nation along the Great Lakes, and I do not think this is what we should look forward to. Thank you, Mr. Chairman.

The CHAIRMAN: Well, certainly this Committee would not be representative of a Great Lakes nation. Mr. Saltsman, you are not from the Great Lakes, are you? No. You are on the periphery. There is one point for clarification before Mr. Saltsman proceeds. The questioning both at this meeting and the last meeting made reference to the interest of area development being strictly only in unemployment. As I understand your revised criteria of a year and a half ago there are other factors which you have taken into consideration, such as incomes in the area, that give an indication of this. Is that not correct?

Mr. TEETER: Income is a measure of underemployment. It tries to pick up perhaps the seasonal factors and also to indicate a situation of low growth or no growth at all by having an employment trend factor in our criteria. It is a measurement of employment opportunities.

The CHAIRMAN: So that in actual fact you have considerably broadened your criteria from what was originally set up in 1963.

Mr. DAVIS: A supplementary, if I may, Mr. Chairman. The original criteria was unemployment.

Mr. LAVIGNE: Strictly, yes.

Mr. DAVIS: Strictly and exclusively. Latterly income considerations have been introduced. Now, as a representative from a high average income province, where we pay more for things as well as get more income, I would suggest that if income is an important criteria this discriminates against British Columbia. To what extent is income taken into account? To preface this question, I would argue that if we had 8 per cent unemployment in British Columbia we should get assistance in the same degree as 8 per cent unemployment in provinces elsewhere. To what extent has this income criteria washed us out and modified the original approach?

Mr. LAVIGNE: I would like to say at the outset on this matter of criteria that when the program was introduced in 1963 the criteria was based on summer unemployment over an eight year period.

Mr. DAVIS: Summer unemployment.

Mr. LAVIGNE: Yes, summer unemployment over an eight year period and last year, when the whole program was included in the criteria, rather than take summer unemployment on an eight year basis the unemployment was worked

up as an annual rate over a five year period. It was considered that five years was long enough to indicate a chronic condition. In addition to that, we also now take into account the matter of employment growth, as Mr. Teeter has mentioned, and in order to identify this condition of underemployment we now take into account non-farm family income. These are the vital changes. We also take into account not only the level of the farm family income but the distribution. If in an area more than 40 per cent of the families receive under $3,000 a year, then this area is designated. So, we take into account the distribution of the farm family income as well as the level.

Mr. TEETER: I think also, Mr. Chairman, that the discrimination against British Columbia that Mr. Davis is speaking about would very largely be removed when we put the unemployment data onto an annual basis. I think it certainly could have been stated that it was highly discriminatory in the earlier criteria where we used only summer unemployment rates, but putting it onto an annual basis I think tended to clear up that form of discrimination.

Mr. DAVIS: We have an anomalous situation to this extent, that in British Columbia, partly for seasonal reasons but partly because a lot of people gravitate to B.C. and even if they do not find jobs quickly they still stay there and we are often the third or fourth highest unemployment province in Canada, but if you take whole areas we only have one designated area. Why is this?

Mr. S. GOODMAN (*Executive Assistant to Deputy Minister, Manpower and Immigration*): I was going to comment on this question of the use of income statistics, and I think it applies to some extent to this other question of the original use of summer statistics and the number of people registered with the unemployment offices during the summer months. The basic reason for using both of these statistics is not the concept, the concept remains basically at the level of unemployment, as modified, by including some element of employment growth, but the reason we use the income statistics is because it is the only proxy we have for underemployment, the only reliable proxy which gives us the kind of area detail which is necessary for this particular program. It is not that we want to use income as such as one of the criteria for the designation of these areas, but rather because we want to get at this problem of underemployment. The only way we can get at it is if we are given the statistics that are available and the statistics on this particular geographic detail, which is a pretty terrible problem, and that is why we use the income statistics. It is not that we are trying to measure income or include income, at least we were not at that time, I do not know what the Area Development Agency is engaged in at this moment, but at that time what we were looking at was some measure of underemployment and that was the reason for using the income statistics.

Mr. DAVIS: So, it is proper that I be left with the impression that unemployment is the substantial determinant of what is a designated area and what is not.

The CHAIRMAN: Except that they have a more sophisticated—

Mr. GOODMAN: With this modification, that we do provide to some extent for this question as measured by the employment growth rate.

Mr. TEETER: Along these lines, Mr. Chairman, the main region of British Columbia that is designated is the region we speak of as the Okanagan, and it happens to encompass the three National Employment Service office areas of Penticton, Kelowna and Vernon. As I recall, without checking the figures, Mr. Lavigne, these areas actually qualified on the basis of high unemployment rates and yet, interestingly enough, if you look at the income statistics for all of the N.E.S. areas of the province, income levels are also relatively low in those three areas, about the lowest of the whole province, which would indicate that not only have we qualified them on the basis of unemployment but we seem to have picked areas that are also suffering the most from underemployment and low income.

Mr. FULTON: The income figures should be looked at. I live next door to that area, and I think Kelowna particularly would be startled to be told that its level of income is amongst the lowest in the province. There must be some factor there that—

Mr. TEETER: It is unemployment. That is how they qualified.

Mr. DAVIS: They qualified on the basis on unemployment and not on income, as I recall.

Mr. TEETER: I just made the observation, Mr. Fulton, that income also is relatively low in those areas. That was not the qualifying criterion but income is lower in those three areas from among all the N.E.S. areas in the province.

Mr. LAVIGNE: In one area of Kelowna the annual unemployment rate is more than double the national average.

Mr. DAVIS: I may be wrong, but I think it has something to do with the fact that this is an area which is fairly heavily oriented towards agriculture. There is a lot of seasonal unemployment, including women.

Mr. LAVIGNE: Very true.

Mr. DAVIS: A lot of women draw unemployment insurance the rest of the year. I am not quite sure if this is the sort of unemployment that most of the rest of us are talking about.

Mr. LAVIGNE: I think it is true to say that the economy of the Okanagan Valley has been characterized mostly by agriculture and tourism. Tourism, like agriculture, is going full tilt in the summertime and then there is not anything doing in the wintertime. I think what is needed most there is more diversification.

Mr. FULTON: May I ask about that area that has been mentioned. Could you give me any information about this. First I have to check my facts, but I understand that Salmon Arm, that is an area not in the Okanagan Valley but immediately adjacent to it on the north in its own valley, and on the Shuswap Lake, an area with an economic base very comparable to the Okanagan, that is, lumbering, fruit farming and dairy farming, and I understand that although the Okanagan proper has received considerable benefit as a result of being

designated, the Salmon Arm area has received little or none, and I am wondering if there is any explanation.

Mr. LAVIGNE: I do not think we can supply you with an explanation, Mr. Fulton, because I think it must be recognized that the benefits of this program are put at the disposal of industry to make a free choice of where they are going to locate. Therefore a lot of it depends on the effort put forth by local municipailties within designated areas to obtain industry and a lot of it depends, of course, on the characteristics of the municipality as to whether or not it is attractive enough to industry. We do not have any knowledge why Salmon Arm has not benefitted as much as other communities in the Okanagan Valley. We do not know.

Mr. FULTON: Do I understand that in effect you do not assume the responsibility for directing industry? By that I mean you have no compulsion and if it comes to you do you sort of seek out prospects and then suggest to them that they go to an area? How do you handle this?

Mr. LAVIGNE: No, we do not, sir. We do not direct industry at all. I do not suppose we could do this either. What we do where we have a prospect that comes to us who is interested in locating, if it is in British Columbia we refer him to the provincial government, and the same in other provinces. We will give him whatever information he wants on the communities within the designated area without favouring one against another, but when it comes to his decision as to where he will make his investment, this is left entirely up to him and, of course, this is why I say a lot of it depends on the effort made by the municipalities and by the provincial governments to obtain industry and where they want it located, but we do not try to influence them.

Mr. FULTON: Is it necessary to have provincial government approval of a specific industry before it can qualify? In other words, if an area is designated and a box factory, shall we say, is considering going in there, does this require specific provincial government approval before you can give it the assistance that the act provides?

Mr. LAVIGNE: No, sir. This is a total federal program. We do not ask or look for any approvals from the provincial government to give these benefits to an industry locating anywhere in a designated area.

Mr. FULTON: Then I go back to one other question, Mr. Chairman, with respect to the designation. I was not clear from what you said whether you had to have provincial government approval specifically before an area is designated under this program.

Mr. LAVIGNE: No. There has been a great deal of consultation, however, before the program was adopted by the government. When the criteria were developed a series of consultations took place with every province and finally, at the deputy minister level, there was a conference in Ottawa before the federal-provincial conference, at which time the premiers dealt with this matter. So that the fullest consultations took place before the program was announced by the government. The provincial governments had every opportunity to make repre-

sentations with regard to the criteria and the areas that were going to be affected by the criteria and, in fact, some did.

Mr. FULTON: Do you, as a matter of practice, expect provincial government recommendation before you designate an area?

Mr. LAVIGNE: No, sir. I think it is more a mechanical matter; that is, the criteria is set up and then the data is put in a machine, you might say, and whatever areas drop out, they are the ones that are designated.

The CHAIRMAN: Mr. Saltsman indicated a long time ago he had some questions, and then Mr. Bower.

Mr. SALTSMAN: The fundamental question as far as I am concerned in this whole matter of designated areas is whether you can really solve problems of underdeveloped areas of Canada through this mechanical process that we have developed, where you establish automatic criteria without relevance, perhaps, to other factors beyond unemployment and the level of income. Does your department have any plans, in terms of exploring other possibilities of trying to help underdeveloped areas, beyond this mechanical approach? By that I mean are you making assessments of the underdeveloped areas, are you studying their potential, are you trying to find out what industries could be located there, with a view to doing some national planning for industry?

Mr. LAVIGNE: To answer your question, Mr. Saltsman, I would go back to one of the previous questions that was asked, that the Agency is undertaking studies in these areas on its own, and in addition we have this cost sharing program where we are prepared to work with the province in attempting to identify industrial opportunities. I think the answer to your question is yes, we are working at this.

Mr. SALTSMAN: That is still on a rather vague basis instead of on the basis of doing some positive planning. Mr. Faulkner raised the question of what is going to happen if places like Toronto seem to attract everything. Is there going to be any attempt made—and I know this is difficult because of the problem of federal-provincial jurisdiction—as is done in many other countries in the western world of saying that some of these areas have been growing too rapidly and are creating problems, and along with incentives there are going to be some disincentives to locate in certain areas?

Mr. LAVIGNE: I do not know if we would be in a position to apply such a program. The answer to your question is no, we have not reached this point yet. Under our system of government I do not know if it is feasible to dictate the rules of industry.

Mr. SALTSMAN: I do not think it is so much a question of dictating any more than we are doing now. It is a question of changing the basis upon which you offer these incentives or disincentives.

I would like to ask you another question. It has been mentioned in the press that some of the provinces are considering setting up Crown corporations in order to attract industry that is not coming in in any other way, or to create their own industry rather than attract industry, and I would like to quote from one of

these. It says that the Conservative government has asked the provincial parliament for powers to establish businesses and industries where private enterprise fails to meet the needs of Manitoba. Then in New Brunswick the statement by Mr. DesBrisay that the Development Corporation had served notice on industry that in the event present producers remain content to serve the New Brunswick and Atlantic markets from plants in central Canada, it would itself construct and operate such plants in the province. And I understand in the province of Newfoundland the provincial government has become quite active in the sense of setting up corporations in that province.

As the program is presently oriented these plants would not, even if they were in designated areas, be eligible for assistance from the federal government. Is this correct?

Mr. LAVIGNE: That is correct, sir. Of course, I think we must differentiate here in some cases, and I am thinking that in Newfoundland the provincial government is making money available to entrepreneurs to undertake certain industrial developments. These may be large loans at reasonable interest rates. In most provinces they do have loan organizations to make loans for industrial development, but probably not as generous as they are in Newfoundland and possibly Nova Scotia, where they have Industrial Estates. To go back to the nub of your question, at the outset when this incentives program was developed and introduced in 1963 we were dealing with a three year tax holiday, and accelerated capital cost allowances, and therefore Crown companies obviously could not benefit from the program. Last year when the government introduced this new program of cash grants there was an attempt made to relate the regulations governing the cash grants to the tax incentives program in order that we would be offering the same type of benefit under both programs, and therefore non-taxpaying organizations, such as co-operatives or Crown companies, were ruled out under the regulations in this new cash grants program.

The CHAIRMAN: May I just ask a supplementary. Is that by law or by regulation?

Mr. LAVIGNE: If I am not mistaken, this is by law.

The CHAIRMAN: It is right in the act.

Mr. LAVIGNE: It is in the act, yes.

Mr. TEETER: May I correct that, Mr. Chairman. It is by regulation.

Mr. LAVIGNE: By regulation, I am sorry.

Mr. TEETER: May I make one point on this, however, that in respect of no development grant being paid in any new or expanded facility, if the applicant is exempt from federal income tax in respect to the whole of his income, or any income derived from the operation of the facility, it is a question of whether the applicant is or is not a taxpayer. I think you will find, Mr. Saltsman, under the Income Tax Act that there can be a Crown company which is non-taxpaying, but in respect of subsidiary operations the interpretation of the Income Tax Act very well could be that as you get down into the second or third tier subsidiary

operation the operation becomes a taxpayer by law. Now, if that is the case, I am assuming that we could be bound by this and could then give consideration to the paying of a development grant. I think we may have one or two cases like this staring us in the face perhaps before too long.

Mr. SALTSMAN: In the event, then, that a province were to set up a Crown corporation that was taxpaying, and although the total investment in the Crown corporation was made by the provincial government, by your interpretation it would be eligible for assistance from the federal government under the designated area program?

Mr. TEETER: If it becomes a taxpayer it would be eligible for consideration for a grant, but keeping in mind the other qualifying criteria, however, one of them being that there must be a matching of equity in the operation to what the federal grant would be.

Mr. SALTSMAN: But this is a matching of equity from private sources, is this right, rather than public sources? Are you distinguishing between private equity and public equity? This is what I am getting at. If you have a publicly-owned Crown corporation that is going to pay taxes, where all the equity is held by the public or by the province, they would then not qualify under that particular clause.

Mr. LAVIGNE: Well, normally we look at equity as common shares or non-redeemable preferred shares or non-redeemable shareholder locked-in loans, and where you have a province taking 95 or 90 or 85 per cent of the financing in a large project you obviously do not have equity capital in there.

Mr. SALTSMAN: Well, if they converted that from a loan to equity capital would they then qualify?

Mr. LAVIGNE: They would then qualify, yes.

Mr. SALTSMAN: In other words, there would be no discrimination on the basis of the nature of the ownership, whether it was private or public?

Mr. LAVIGNE: That is right, providing they issued shares in the company to the public in the form of equity capital.

Mr. SALTSMAN: Let me get at this. If a province were to establish a Crown corporation and it was not possible that it could take shares itself, then it would not be issuing them to the public, it would be holding them themselves. This is what I am getting at.

Mr. LAVIGNE: They could take the common shares or the non-redeemable preferred shares as equity capital, yes.

Mr. SALTSMAN: As long as they were equity shares and they held them, and they had a corporation set up that was taxable, they would be eligible under the program?

Mr. LAVIGNE: That is right.

Mr. SALTSMAN: Just one further question. How does the designated area program with its criteria mesh into the plans of a province like Quebec when

they are talking about breaking the provinces into ten major regions and twenty-five sub-regions? Do your programs mesh with their regional programs?

Mr. LAVIGNE: They recently identified economic regions in the province of Quebec, and I might say that it is fortunate that the program does mesh fairly well with the identification they have made of economic regions.

For instance, I might give you an example of the Lake St. John area, which is regarded as an economic region, and we have it totally designated. Similarly the Gaspé, and lower St. Lawrence regions, the Gaspé coast, these are economic sub-regions and they are totally designated under our program. Generally speaking I would say that the two mesh fairly well. Obviously the boundaries of their economic regions do not exactly match our designated areas in all cases because we are dealing with manpower centre areas and census divisions, and the boundaries of their areas do not always take account of the boundary lines of manpower centre areas or census divisions.

Mr. SALTSMAN: Have you considered some other approach to this because of the great difficulty involved in the question of jurisdiction between the federal and provincial governments of these areas? Have you considered making specific grants on such bases to the provinces and to let the provinces do their own designating and set up their own programs in order to get away from some of the conflict that is involved in the federal government trying to plan in areas which are under provincial jurisdiction and that have plans of their own?

Mr. LAVIGNE: I might say that the Minister has considered this and there has been discussions in the department on this matter. It has also been a matter of discussion with some of the provinces, as a matter of fact, but we have not reached a position on this. I do not think we yet know enough about this business of area development to go too far too fast. Actually the program has only been in effect since the summer of 1963, which is only three years, and already it has been radically changed within that time because all the provinces have a different approach to this. I am not sure that at this particular point in time we could reach a consensus with the provinces on this matter.

Mr. SALTSMAN: The consensus would be this, that you would simply make funds available to the provinces one way or another, and because of the different attitudes within the provinces as to the kind of approach that should be taken, the areas to be designated, and things of this type, that you could make the money that you would normally spend available to them on some basis. Perhaps this could even be on the basis of the same criteria worked as a percentage in each province, unemployment, slow growth, things like that, and therefore with the number of your provinces you would have a certain amount of experimentation going on, different opinions being taken on the use and allocation of these funds, and we perhaps might come up with more answers that way rather than trying to administer it centrally from the federal government. There might be more experimentation that might be useful to everyone.

The CHAIRMAN: I was just going to make the supplementary comment, if I may, that there is one area that Mr. Saltsman covered in his question that you have not made reference to in your answer, and that is his specific reference to

the Atlantic provinces. You do have—and I am thinking of his original question about the overall planning and approach—the Atlantic Development Board which is performing in part, anyway, this function—at least as I understand it—or some of the functions that Mr. Saltsman is asking you if your department is performing; is that not correct, and they are working with the provinces in this way?

Mr. SALTSMAN: I am aware of that, Mr. Chairman, and this is one of my reasons for asking the question about whether the provinces might not be in a better position to handle this kind of a job, because I think some of the work that has been done in the Atlantic regions has been fairly impressive, considering the problems they have to deal with.

Mr. TEETER: Well, Mr. Chairman, I think we should also mention the A.R.D.A. program, and in specific relation to experimentation that you have mentioned, Mr. Saltsman, I think that we are seeing a little of this now under the Fund for Rural Economic Development. The A.R.D.A. organization have already entered into an agreement with the province of New Brunswick in respect of two programs. I think there will be others to follow, and this is not just in the Atlantic region but in other parts of the country.

Inherent in this overall plan that will evolve, this multi-pronged plan, to attack the basic problem of low income in these areas is, of course, the question of industrial growth and industrial development as a means of taking up not only excesses of manpower that is there now but additional excesses that will evolve as people are taken off the land, and so on. We are, of course, very involved inter-departmentally in this kind of thing. We will watch this experimentation very closely and out of it very easily could come some of these discoveries, if you will, that you speak of that might have applicability to our program as well.

Mr. SALTSMAN: Would you not agree that there is a problem here, even when you discuss A.R.D.A. You have A.R.D.A. working from an essentially agricultural approach; you have the designated area program working from an essentially industrial approach, and there have been some questions raised whether tourism is really the best thing for many of these regions that we are talking about that are not getting too much by way of incentives. Is there not some argument for a unified approach to the whole thing rather than a specific agricultural approach or an industrial approach? Should not all these things be drawn together so you could take a look at the entire region and make an assessment of whether you could do a better job industrially or agriculturally or with tourism, or with some other approaches? This is one of the difficulties, and I think A.R.D.A. has perhaps taken a more positive approach than this program has because they have done this kind of surveying and this kind of analysis.

Mr. TEETER: They have done more basic research.

Mr. SALTSMAN: They have done more basic research than this program has. Is your department going to consider pulling all these things together so you can

take a total look at the region rather than having one department looking at it from one point of view and another from a different point of view?

Mr. TEETER: Well, I think as officials we would agree with the point you make, but on the other hand, Mr. Saltsman, I think this over-all look is indeed being taken, and I can recall just in recent days this point being actively discussed interdepartmentally in respect of A.R.D.A.'s over-all formulation of an over-all economic development plan, if you will, for eastern Nova Scotia in which industrial development would be part of it.

Mr. SALTSMAN: Which minister would be responsible for answering questions on this sort of thing, or would you have to ask three different ministers in order to get a reply? Is there one minister that we, as members of the House of Commons, could go to and ask, "What progress are you making in this over-all approach to this over-all plan"?

The CHAIRMAN: You could ask the Prime Minister. He would tell you right away.

Mr. SALTSMAN: Not always.

Mr. LAVIGNE: Well, I think it is a case of each agency making the inputs it can make into an over-all development plan. If it had to do with industrial development I suppose we would be the ones who would be involved there, while if it had to do with the rural economic side, it would be A.R.D.A.. If it had to do with infrastructure it would be A.D.B.

Mr. FAULKNER: Is it true, Mr. Lavigne, that there is no over-all industrial plan?

Mr. LAVIGNE: Within the federal government?

Mr. FAULKNER: Within the federal government, and I would think probably within the provincial governments, at least Ontario.

Mr. LAVIGNE: None that is discernible to the public eye.

The CHAIRMAN: Just before Mr. Saltsman, I was going to say that I have had—through fisheries development—an opportunity to look into this whole matter of the role of A.R.D.A. and the role of area development and I think that they are still in the growing stages, and it rather frustrates me sometimes that they are not doing some of the things I think they should be doing. I feel, particularly with this comprehensive planning that A.R.D.A. is involved in—they are starting one in Newfoundland now—that it covers a multitude of areas, it covers the whole spectrum. You said it was geared to agriculture. We have seen in New Brunswick that it is broader than that, and it will I think continue to broaden. I think we are still in the growing stages in this. Whether or not we will do all the things we should do or not is another question.

Mr. SALTSMAN: For this very reason, that we are in the growing, experimental stage, could there not be a recommendation from this Committee that a minister be designated to assume the responsibility of an over-all look into areas in Canada which are not developing as rapidly as they should? In other

words, a minister who would be responsible for tying these programs together in order to evaluate the whole matter, because there seems to be a shortcoming. Perhaps it is an understandable one, and it is just that when you are developing these things happen.

For instance, you have grants for shipbuilding, you have encouragement for offshore fishing, you have all kinds of things going on where you are trying to help people in these areas. We do not know the relationship of the Unemployment Insurance Act to this whole picture. We do not know what relationship the manpower program plays in it; in other words, the mobility program. Should we be moving people out rather than moving industry in. This is what seems to be lacking in our approach to helping the underdeveloped areas in Canada. There is not a unified approach. There is not a tying together of the various instruments that we have devised that would really help the area and we would know in perhaps a better way than we know now what would have to be done.

The CHAIRMAN: I merely make the suggestion that there is perhaps more of this going on than we are aware of because of the interdepartmental committees in government that are working on this. Perhaps we ought to have some more information, because I am beginning to find out that there is more going on at the working level of the civil service. I think that they are now co-ordinating themselves. Is that not true?

Mr. LAVIGNE: That is true.

Mr. SALTSMAN: Even assuming that this is going on at the civil service level, and I imagine that this does go on even if there is not any official program set up, I think it is fairly important to the public and to members of parliament to know that there is one minister we can go to or one minister who should be approached in order to get some of the answers in terms of speed and the rate of development that is going on and the possibilities that exist in this field.

The CHAIRMAN: Mr. Andras indicated to me that he has to leave and wants to ask a question. However, Mr. Bower also has a question and he was on the list prior to Mr. Andras. Do you mind if Mr. Andras goes first? I think he only has a short question. If he is longwinded I will cut him off anyway, Mr. Bower.

Mr. ANDRAS: Mr. Lavigne, I have had some conversations with you in the past and I just want to see where we are heading. I thought I detected some sympathy from the Department of Industry toward this view that our present plan for designated areas is just a yes or no plan. There is one set of criteria across the country and if a region qualifies, then it does get one set of incentives the cash grant, and so on. I have tried to make the point that this country has such a wide variation of economic conditions between many, many regions that there should be more graduations in the criteria and, of course, it would naturally follow that there would be graduations in the incentive. The more severe areas, in terms of slow growth and unemployment, would get the greatest incentives to attract industry, but then you would range from there up to, say the Toronto area which would get nothing. Is there anything developing now? Do you see anything coming to get this sort of expansion of the program operating?

Mr. LAVIGNE: Well, in answer to your question, we are examining all of these possibilities and have had several discussions on this matter of graded incentives, but I should point out that one of the greatest dangers in grading incentives is that you dilute a lot of their effect. If you offer 100 per cent in the really bad areas and 50 per cent in the medium type areas, you are beginning to dilute the effect of the incentive, because it really takes a potent incentive to attract industry into these outlying areas.

Mr. ANDRAS: Just to interject there, you might make the present incentive the low end of the scale and, so you will not dilute it, you could make the incentive for the more severe areas very much greater than the present one. I see it as a problem but I do not see it as one of real—

Mr. LAVIGNE: The problem is one of dilution and diminishing the effect or the potency of the incentive. This is the danger, actually, because the more areas you have the more you dilute. The more you grade the incentive the more you dilute.

Mr. ANDRAS: Well, let us grade them up from the present plan and make it the very minimum incentive and grade the others up. Do you see some change, in terms of time, in this designated area program to expand it within the next three months, six months, the next year?

Mr. LAVIGNE: We have a statistical review period coming up to determine what areas no longer qualify and those areas that may qualify. At the same time, obviously, we are looking at all of the features of the program with a view to recommending to the minister certain changes, if changes would be desirable.

Mr. ANDRAS: When would that review probably be completed?

Mr. LAVIGNE: Early in the new year.

Mr. ANDRAS: Early in the new year, so that if as a department you are going to recommend some changes, it might be in June?

Mr. LAVIGNE: This would be the appropriate time to do it.

Mr. ANDRAS: I have several questions to ask but I will have to pass them, except for this one. Could you give us a fairly clear picture of the jurisdictional division or the problem involved in the regional economic development between the federal government and the provincial government? From conversations I have had with people this seems to be very much misundertood.

Mr. LAVIGNE: Quite frankly, I am not sure that I am competent to answer the question.

Mr. ANDRAS: There is definitely a jurisdictional problem involved?

Mr. LAVIGNE: I do not know what jurisdiction the federal government has in regional economic development.

Mr. ANDRAS: You are saying that it is basically one of provincial government responsibility and right, which they guard. Is this a fair assumption?

Mr. LAVIGNE: This would be my personal view, yes.

Mr. FAULKNER: Just on that point, Mr. Chairman, I wonder if it would not be to the advantage of the Committee to have a discussion about this with a witness that might be in a position to advise us? Mr. Saltsman and I speak in rather grandiose terms about a role for the federal government, and neither one of us really know the constitutional limits to our plan. I do not know whether it is feasible for this Committee, but I think it might be useful if we had some idea what our jurisdiction is before we proceed.

The CHAIRMAN: The Chair has no objections to your engaging in self-deprecation but I would, on behalf of our colleague, like to point out that he is not here to defend himself. He has departed and you are casting serious reflections on the poor fellow.

Mr. ANDRAS: It is a very valid point and I do not know who we would get, a constitutional expert, or somebody, to deal with this, and it is related to where we can go federally on a program. Mr. Lavigne has very carefully expressed the view that there are some reservations about how far the Department of Industry feels they can go because of constitutional difficulties in devising a national program, for instance. As federal members, we are being pressed all the time—I do not care what party it is—for the development of some over-all national program for regional economic development. If there is a constitutional block it should be aired and known.

The CHAIRMAN: I think it is a mixed bag of tricks. There are certain areas that you obviously—

Mr. FAULKNER: I think we should have an expert.

Mr. ANDRAS: Well, who could we get? As a general recommendation to the Chair could we arrange to have the Department of Justice, or whoever it may be—

The CHAIRMAN: No. You see, this is a matter where, if I may express my view on it, we have certain areas that are clearly within federal jurisdiction and we have other areas and resources that are within a mixed jurisdiction. We have other areas of provincial jurisdiction. If you are going to get into any sort of planning which is comprehensive you are going to cover areas that involve the jurisdiction of both the province and the federal government. It does seem to me that you cannot do that. I would say you cannot develop a full approach in this way without consultation and support from the provinces concerned.

Look at what we are doing in the Atlantic Provinces, and particularly in Newfoundland, where we are a little more pragmatic on this matter, we are not quite as sensitive about our jurisdiction, where we have the Atlantic Development Board, and so on, and we do not guard our constitutional prerogatives as jealously as we are concerned about—

Mr. FAULKNER: You have both the federal and provincial down there, but Ontario is different because the federal government is in some sort of dialogue—

The CHAIRMAN: I do not think I need any experts to tell me that I am not going to be able to do something in this region. If you do not have the support

and the co-operation of the province concerned, then you are not going to do it. You may get higher priced opinions than that, but I do not think you will get a more accurate one.

Mr. HOPKINS: Mr. Chairman, I know exactly what Mr. Andras is getting at, and it is political as well as economic. The federal government took the initiative on this designated area program and doled out a lot of money and helped a lot of areas in Canada, and in so far as the province of Ontario is concerned it has been of tremendous assistance to those areas where it has applied. I think, and Mr. Andras can contradict me if I am wrong, that the federal government is the one body that has tried to do something about these areas of unemployment, and they are blamed by areas that have not benefitted from it because their program does not apply there. In effect, the only type of program that could help out the areas where federal designation does not apply are within provincial jurisdiction, and yet the federal government is being blamed for not doing anything.

Mr. ANDRAS: That is very well put. I must dash now, but this is an attempt to get the monkey on the right fellow's back.

The CHAIRMAN: Well, this may be true, but do not give the federal government all the credit when you say the federal government is the only government that has done anything about this. In 1950 we started to do something about it in Newfoundland and the federal government assumed the position of studied indifference. Latterly the province of Nova Scotia got into Industrial Estates. —you will note my non-partisan comment there, Mr. Bower—and also the province of New Brunswick, so that the federal government has come along after a number of the provinces have been engaged in this field. Here again I illustrate the importance of provincial initiative.

Mr. HOPKINS: Mr. Chairman, I hope when you check on my remarks you find I am correct that I did specifically mention the province of Ontario.

Mr. BOWER: Mr. Chairman, I would like to explore this subject with Mr. Lavigne. While we have heard a great deal about north-eastern and central Nova Scotia and what is being done there about their problems, and I certainly do not want to detract from the seriousness of the Cape Breton situation, for example, and the need for something to be done there, I do want to draw attention to the other end of the province, the southwestern end, the part that I happen to have largely within my constituency, and the way I want to approach it is to give a sort of case history.

We have in Shelburne-Yarmouth-Clare two industries, fishing and tourism, around which everything revolves at the present moment. But desirable and welcome as they are, I do not believe they are sufficient to bring that area into full economic development. We lag behind and I think we often feel, in the hullabaloo about the other areas, that we are rather a forgotten corner.

What could the Department of Industry specifically do there to bring about the utilization of certain natural advantages? I particularly have in mind the ice-free harbours in that area. Why should they not be brought into the picture in the sense of being areas where industry could be established, based on the importation by water of raw materials and the processing there and the export

of the products offshore, which would have many advantages to the nation, not just parochially but on the question of balance of trade. Has the Department of Industry made a study of that particular phase of development in that particular area? The area is suffering from the same thing that Mr. Hopkins brought out in connection with his area, where the municipal taxes are now up to the point of the law of diminishing returns coming in, and in order to get any balance in the intraprovincial economy we have got to get that end up, just as Mr. Deutsch points out that we have got to get the Atlantic provinces brought up. This involves perhaps more than the Department of Industry, and again I put the question—I think it has been brought up during the course of the discussion—as to the co-ordination between the different departments. Out in the hall before we came in to the meeting we had a bit of discussion there and I pointed out the necessity, for example, of a transverse highway. Now, I realize that is a provincial road, but under what circumstances could a project such as I am envisaging get federal aid and assistance in the promotion of that concept of development, including adequate transport from Digby on the peninsula across to Saint John and into the Canadian railroad system? I would like to inquire if the Department of Industry has made any studies along those lines. The area I am speaking of is certainly a designated area, I believe. That is rather a broad statement, but it is getting late and I am trying to get the picture all in one piece. Perhaps I am doing it a little too rapidly. Could you give me any thoughts along that line that might be helpful, because I know for the people there it is a basic desire. They recognize the need for a secondary industry there in addition to what we have, the fishing and tourism.

Mr. LAVIGNE: Well, quite frankly, we have not done any studies with particular reference to this part of Nova Scotia, and with particular reference to the fact that you have an ice-free port. As I said earlier, in many cases we promote studies in designated areas. In fact, it is our responsibility to undertake studies in designated areas and we have undertaken several studies in the maritime provinces. This is one opportunity that we have not investigated. There are things that have been done that may be of assistance indirectly. For instance, our regulations were amended in recent months to permit the processing of ore that was mined or partially processed elsewhere in Canada. This will offer some opportunities, particularly to the maritime provinces, to possibly introduce ore processing.

I think, sir, that the problem here is one of industrial promotion and the province of Nova Scotia does have, quite apart from the Department of Industry in Nova Scotia, Industrial Estates. Both of these organizations are actively promoting industry for Nova Scotia and I would think that these are the people who should promote industrial installations in that part of Nova Scotia. Now, this is not to say that we are not prepared to get involved, not prepared to undertake any studies, or anything of this kind, but the idea of going out and promoting industrial development of a particular kind for the Yarmouth area I think would be more rightfully the prerogative of the Department of Industry in Nova Scotia or I.E.L. As you bring this matter up, we are certainly doing to have a look at the possibility of probably undertaking a study of the Shelburne-Yarmouth area with this in mind.

The CHAIRMAN: On infrastructure it would involve, of course, the Atlantic Development Board, would it not?

Mr. BOWER: I recognize that and I am predicating my idea also on the development of low cost energy either through the harnessing of the Fundy tides or through, let us hope, the discovery of hydrocarbons offshore, but that is an assumption. But assuming that, it seems to me with that role or function, areas such as mine can develop very effectively.

The CHAIRMAN: Are there any further questions of the officials?

Mr. HOPKINS: I just have two comments to make, Mr. Chairman, before we close. We have been talking here about incentives to new industry. I think there is another very important factor involved, and that is industry that already exists in areas such as mine.

Many times we have to take a serious look at the problems that exist in industry in areas of non-economic growth, because these people deserve a lot of credit for continuing to employ people in the community and facing the problems that they do, and if we get to the stage where we can have dominion-provincial discussions as to what we are going to do for areas of non-economic growth, then I think that something definite should be discussed about incentives for existing industry. I believe that under the present system of designation, existing industry would benefit. For example, if they wanted to expand, they get the same privileges as anybody else. However, here I am talking about existing industry in areas where designation does not apply, and I think that a serious look has to be taken at this because we appreciate their presence and we want to do something to help them out, too.

Secondly, the tax factor is a big one when an industry moves into an area, and it is also a big factor for existing industry. This is what I would like to put on the record as a suggestion for such dominion-provincial discussions: that an incentive for industry in such areas, and one that would help out existing industry, would be an agreement between the federal government and the provincial government whereby certain criteria would be set up to indicate what type of areas you are going to designate as areas of non-economic growth, and that these areas should be given larger grants toward the expense of running such municipalities. For example, if the provincial government gave a town of 17,000 people like Pembroke larger grants, part of it could be paid by additional contributions of federal funds to the provinces to help them do this. This would hence lower the rate of taxes in a town of this nature and it would certainly help out existing industry, as well as being an incentive to bringing new industry in. This is one thing that I would like to see discussed if such a meeting occurs. Thank you, Mr. Chairman.

The CHAIRMAN: Mr. Legault, you had something?

Mr. LEGAULT: Just a short question, Mr. Chairman. Mr. Lavigne, when considering the means that you may have, do you ever consider the question of transportation at all? We can have all sorts of programs in every department, and when we think of the millions that are spent on such I think we do create an anomaly in the sense that we try to force something in some area which we

cannot justify economically. Our situation is unique; the country is very big and the population is so small, and if we bring something about in the concept of what A.R.D.A. is doing with some of the farms that they are buying off and returning back to nature when they cannot be economically developed, are we not trying to develop areas that we cannot justify? It will only be a subscription for years and years, the pouring in of money to that place, whereas it could be spent elsewhere and we could in time bring about a program that would be universal, and we could get away from this mix-up of getting involved with the provinces and trying to find the jurisdiction of each one in these particular fields of argument. Would you consider trying to find a formula for transportation whereby we could develop the country more on its assets and not by artificial means such as we are trying to do?

Mr. LAVIGNE: I think I can say, to answer your question, that we have not considered the matter of transportation specifically any more than any other industrial location factor. The concept of the program is one where you designate as large an area of the country as you can, and you give industry the free choice of taking into account such factors as transportation.

Mr. LEGAULT: But, Mr. Lavigne, the thing is that I consider that somewhat as bait for industry to settle in one area. Now, what they have to weigh is exactly what good will it do if, after a few years, this incentive is removed and they are left to lose whatever they have gained immediately the incentive is removed.

Mr. LAVIGNE: Well, I am pleased to say, Mr. Legault, that we have had a very happy experience so far. We have not as yet had one company that has gone by the wayside after it has gotten into operation.

Mr. LEGAULT: I know but it is of considerable importance when industrialists consider a certain place.

Mr. LAVIGNE: I think we can rely on the good business sense of industry to make a decision as to where they are going to locate a facility. I do not think industry is going to base their total decision on the fact that they are going to get a one-shot grant from the federal government to set up a facility. They are going to weigh the long term picture and if transportation is not favourable to them, and is going to outweigh the effect of our grant, then they are not going to locate in a designated area. This is exactly what is happening.

Actually, economically speaking, this program only attempts to make up for some of the disadvantages that you find in designated areas. This is what industry has to weigh. Are there too many disadvantages in a designated area that outweigh the grant that the federal government is paying? Our experience has been a very happy one in that private enterprise which has been set up so far seems to be going along in good financial shape. We have not yet had any company go under, declare bankruptcy or go out of business. We are processing over 700 applications and we have approved of some 300, both for tax holiday and for grants, so far. The experience has been very good.

The CHAIRMAN: Gentlemen, I think we have concluded our questioning of the officials.

At previous meetings there was some discussion about a certain number of groups that wanted to come before us, and I discussed the matter with Mr. Peters and Mr. McCutcheon at the time. Generally there seemed to be the feeling that if we could take the time to do this that it perhaps would be a worth-while exercise, bearing in mind some of the matters that we discussed here today about the question of jurisdiction, and what not. This afternoon I am going to see Mr. Bower or Mr. McCutcheon and Mr. Peters in the House because I was talking to one group and tentatively said, subject to discussing it here, that we would have them next Thursday. There is another group also. There may be three groups all told. There has been a suggestion made that perhaps at this date when the committees still have a lot of work to do that the more essential matters, that is, business directly referred from the House, should be dealt with by the committees, and that we should delay a little the hearing of some of the witnesses, perhaps, at the moment with regard to the over-all work load of parliament. I have to check that with regard to conflicts, but I think that we can probably manage one or two of these meetings.

Mr. HOPKINS: Mr. Chairman, before we close I would just like to thank Mr. Lavigne, Mr. Teeter and Mr. Haase for their co-operation this morning, and to congratulate you as being a very congenial and understanding chairman.

The CHAIRMAN: I must say I certainly agree with the latter part of your remarks. Thank you very much, gentlemen.

The meeting is adjourned.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966-67

LIBRARY

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. RICHARD CASHIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 14

TUESDAY, JANUARY 17, 1967

TUESDAY, JANUARY 24, 1967

Respecting

BILL C-252

An Act to provide general incentives to industry for the expansion of scientific research and development in Canada and to effect certain related amendments to the Income Tax Act.

WITNESSES:

The Honourable Charles M. Drury, Minister of Industry and Minister of Defence Production. *From the Department of Industry:* Mr. S. S. Reisman, Deputy Minister.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

25295—1

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Richard Cashin

Vice-Chairman: Mr. Ovide Laflamme

and

Mr. Addison,
Mr. Andras,
Mr. Beaulieu,
Mr. Bower,
*Mr. Chatwood,
Mr. Davis,
Mr. Faulkner,
Mr. Forest,
Mr. Fulton,
Mr. Goyer,
Mr. Grafftey,
Mr. Hales,
Mr. Hopkins,
Mr. Latulippe,
Mr. Legault,
Mr. McCutcheon,
Mr. O'Keefe,
Mr. Peters,
Mr. Reid,
Mr. Saltsman,
Mr. Scott
(*Victoria* (*Ont.*)),
Mr. Sherman—(24).

(Quorum 9)

Fernand Despatie,
Clerk of the Committee.

*Replaced Mr. Langlois (*Chicoutimi*)
on January 16, 1967.

REPORT TO THE HOUSE

January 26, 1967.

The Standing Committee on Industry, Research and Energy Development has the honour to present its

Seventh Report

Pursuant to its Order of Reference dated Tuesday, January 10, 1967, your Committee completed its study of Bill C-252, An Act to provide general incentives to industry for the expansion of scientific research and development in Canada and to effect certain related amendments to the Income Tax Act, and has agreed to report it with the following amendments:

On Clause 3

That subclause (1) of clause 3 be amended by striking out the words "in Canada" in line 33 on page 2.

That clause 3 be further amended by striking out subclause (2) thereof on page 2 and by substituting for the said subclause (2) the following:

> (2) No expenditure by a corporation in respect of scientific research and development shall be taken into account for the purposes of any provision of this Act unless the Minister, on the basis of such information as is submitted to him pursuant to this Act and such other information as he considers relevant, is satisfied that the scientific research and development in respect of which the expenditure was made is likely to result in benefit to Canada if it is successful, and, where the Minister is not so satisfied,
>
> (a) no amount paid to the corporation in respect of such scientific research and development, and
>
> (b) no property acquired by the corporation for the purposes of such scientific research and development,
>
> shall be taken into account for the purposes of any provision of this Act.

On Clause 4

That paragraph (a) of subclause (1) of clause 4 be amended by striking out the words "in Canada" in lines 35 and 36 on page 3.

That paragraph (a) of subclause (2) of clause 4 be further amended by striking out the words "in Canada" in lines 1 and 2 on page 4.

On Clause 14

That clause 14 be amended by striking out paragraph (h) thereof on page 12 and by substituting for the said paragraph (h) the following:

> (h) prescribing, notwithstanding section 5, the circumstances and manner in which information submitted to the Minister of National Revenue

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for the purposes of section 72 or 72A of the Income Tax Act may or shall be used in determining the eligible current expenditures of a corporation;

A copy of the Minutes of Proceedings and Evidence relating to this Bill (*Issue No. 14*) is appended.

Respectfully submitted,

RICHARD CASHIN,
Chairman.

ORDERS OF REFERENCE

TUESDAY, January 10, 1967.

Ordered,—That Bill C-252, An Act to provide general incentives to industry for the expansion of scientific research and development in Canada and to effect certain related amendments to the Income Tax Act, be referred to the Standing Committee on Industry, Research and Energy Development.

MONDAY, January 16, 1967.

Ordered,—That the name of Mr. Chatwood be substituted for that of Mr. Langlois (Chicoutimi) on the Standing Committee on Industry, Research and Energy Development.

Attest.

LÉON-J. RAYMOND
The Clerk of the House of Commons.

MINUTES OF PROCEEDINGS

TUESDAY, January 17, 1967.
(16)

The Standing Committee on Industry, Research and Energy Development met at 11.10 a.m. this day. The Chairman, Mr. Cashin, presided.

Members present: Messrs. Andras, Bower, Cashin, Chatwood, Davis, Faulkner, Hales, Hopkins, Legault, Reid, Saltsman, Scott (*Victoria (Ont.)*)—(12).

Also present: The Honourable Charles M. Drury, Minister of Industry and Minister of Defence Production.

In attendance: From the Department of Industry: Messrs. S. S. Reisman, Deputy Minister; J. L. Orr, Industrial Research Adviser; D. H. E. Cross, Industrial Research Officer.

The Chairman opened the meeting and referred to a letter from the Minister of Energy, Mines and Resources, dated November 28, 1966, in answer to a request made by Mr. Robert Andras, at the meeting of November 22, 1966, regarding the estimated capital costs of the Great Lakes Project on a basis comparable to the costs of the Northern Ontario route. It was agreed that the document be tabled, and filed with the Clerk of the Committee (*identified as Exhibit 8*).

The Committee began consideration of Bill C-252, An Act to provide general incentives to industry for the expansion of scientific research and development in Canada and to effect certain related amendments to the Income Tax Act.

The Chairman called Clause 1 and invited the Minister to make an opening statement. At the conclusion of this statement, the Minister was examined, and was assisted in answering questions by Mr. Reisman.

Clause 1 was carried unanimously.

At 12.40 p.m., the Committee adjourned to the call of the Chair.

Fernand Despatie,
Clerk of the Committee.

TUESDAY, January 24, 1067.
(17)

The Standing Committee on Industry, Research and Energy Development met this day at 11.10 o'clock a.m. The Chairman, Mr. Cashin, presided.

Members present: Messrs. Andras, Bower, Cashin, Faulkner, Goyer, Hopkins, Legault, Peters, Reid, Saltsman (10)

Also present: Mr. Auguste Choquette, M.P.

In attendance: *From the Department of Industry*: Hon. C. M. Drury, Minister and Messrs. S. S. Reisman, Deputy Minister, J. L. Orr, Industrial Research Adviser, D. H. E. Cross, Industrial Research Officer, D. Kellough, E. Johnson, and W. Graham, Industrial Development Program Officers. *From the Department of Justice*: Mr. N. M. Thurm, Legislation Section Officer. *From the Department of Finance:* Messrs. Vance, Forward and Whitehead, Science Secretariat.

The Committee resumed consideration of Bill C-252, An Act to provide general incentives to industry for the expansion of scientific research and development in Canada and to effect certain related amendments to the Income Tax Act.

Clause 2, carried.

On Clause 3, subclause (1) of clause 3 is amended by striking out the words "in Canada" in line 33 on page 2, and that clause 3 be further amended by striking out subclause (2) thereof on page 2 and by substituting for the said subclause (2) the following:

> (2) No expenditure by a corporation in respect of scientific research and development shall be taken into account for the purposes of any provision of this Act unless the Minister, on the basis of such information as is submitted to him pursuant to this Act and such other information as he considers relevant, is satisfied that the scientific research and development in respect of which the expenditure was made is likely to result in benefit to Canada if it is successful, and, where the Minister is not so satisfied,
>
> (a) no amount paid to the corporation in respect of such scientific research and development, and
>
> (b) no property acquired by the corporation for the purposes of such scientific research and development,
>
> shall be taken into account for the purposes of any provision of this Act.

On motion of Mr. Andras, seconded by Mr. Faulkner, it was *agreed*, on division, that Clause 3 be adopted as amended.

On Clause 4, paragraph (a) of subclause (1) of clause 4 is amended by striking out the words "in Canada" in lines 35 and 36 on page 3, and that paragraph (a) of subclause (2) of clause 4 be amended by striking out the words "in Canada" in lines 1 and 2 on page 4.

Mr. Reid moved, seconded by Mr. Legault, and it was *agreed,* on division, that Clause 4 be adopted as amended.

Clauses 5 to 13 inclusive were adopted.

On Clause 14, that this clause be amended by striking out paragraph (h) thereof on page 12 and by substituting for the said paragraph (h) the following:

> (h) prescribing, notwithstanding section 5, the circumstances and manner in which information submitted to the Minister of National Revenue for the purposes of section 72 or 72A of the Income Tax Act may or shall be used in determining the eligible current expenditures of a corporation;

It was moved by Mr. Hopkins, seconded by Mr. Reid, *agreed,* on division, that Clause 14 be adopted as amended.

Clauses 15 to 19 inclusive were adopted.

The Bill was carried.

It was *agreed* that the Chairman report Bill C-252, as the Committee's SEVENTH REPORT to the House.

At the request of Mr. Peters it was *agreed* that Bill C-252 be reprinted in English and in French.

At 12.45 o'clock p.m. the Chairman adjourned the Committee to the call of the Chair.

D. E. Levesque,
Acting Clerk of the Committee.

EVIDENCE

(*Recorded by Electronic Apparatus*)

TUESDAY, January 17, 1967.

● (11.10 a.m.)

The CHAIRMAN: Gentlemen, we have a quorum. I will call the meeting to order.

I have had a letter from the Minister of Energy, Mines and Resources, dated November 28, in response to a request made by Mr. Andras at the meeting of November 22, regarding an estimated capital cost of the Great Lakes project on a basis comparable to the cost of the Northern Ontario route.

Is it agreed that this document be tabled, and filed with the Clerk of the Committee?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: We have before the Committee, for consideration and study, Bill No. C-252 an Act to provide general incentives to industry for the expansion of scientific research and development in Canada and to effect certain related amendments to the Income Tax Act.

We are pleased to have with us the Minister and the Deputy Minister of Industry and assorted officials from the Department of Industry. We almost have a quorum among them; in fact, we do; we have nine of them.

The first order of business would, therefore, be to call clause 1 of this bill, and to invite the Minister to make an opening statement.

On clause 1—*Short Title*

Hon. C. M. DRURY (*Minister of Industry*): Mr. Chairman, I welcome this opportunity to appear before the Committee for discussion of what I think will be accepted as an important bill, and I am prepared to answer questions which the committee may have.

If members are agreeable, I think it may help your deliberations if, perhaps, I were to first outline the main provisions of the Bill. This will serve to supplement the reasoning behind and principles of the program described in my statement to the house on December 20th last in connection with Second Reading of the Bill.

I am certain that the members of the Committee would agree that one of the challenges facing modern industrial nations today is how to best realize the benefits of scientific and technological progress. While the application of science to military problems is highly organized, the systematic exploitation of science for peaceful purposes has received less attention, although the potential economic and social gains are very great. In many respects, we in Canada are pioneering in devising new techniques for promoting the rapid and effective exploitation of science by means which are compatible with the institutions of our free enterprise economy.

The underlying purpose of the proposed Industrial Research and Development Incentives Act is to raise the technological capability of Canadian industry by enabling corporations to expand their scientific research and development activities. It is expected that increases in the overall level of such research and development activities will result in increased ability to meet foreign competition in both domestic and export markets, and consequently reduce dependence on foreign technology. Our specific objectives are to induce Canadian corporations to undertake new and expand existing scientific research and development programs, and to provide well-equipped facilities for such work.

As the Committee will undoubtedly be aware, the provisions of Section 72A of the Income Tax Act, whereby a firm was permitted to deduct an additional 50 per cent of its expenditures on scientific research, lapsed at the conclusion of the 1966 taxation year. Bill C-252 before the committee gives effect to the Government's intention to continue to provide a general incentive for research and development in the form of direct grants available to all Canadian industrial firms performing research or development. This new incentive is intended to take effect from January, 1966 so that firms will have the option of taking benefits under either Act during 1966, but thereafter only the new Act will apply.

Although at first glance some of the provisions of Bill C-252 may seem complex, many of these are of a technical nature already familiar to industry since they parallel similar provisions in the tax legislation which this bill will replace. I explained the reasons for changing from a tax incentive to a grant system in my earlier statement in the House. Briefly, the tax incentive is discriminatory and inequitable to new or smaller firms which may not be able to attain a profitable position in the early stages of their growth. Thus, the conversion to a grant system will greatly broaden the availability of the research and development incentive and it is expected that the number of firms eligible to receive these benefits may be more than double the number presently claiming the tax incentive.

The Bill provides for grants payable in retrospect, or, alternatively for a credit against income tax liabilities, of 25 per cent of capital expenditures made in Canada in the year, on research and development, and 25 per cent of the amount by which eligible current expenditures made in Canada in the year for research and development exceed the average of eligible current expenditures made in Canada in the preceding five years. The grants will not be subject to federal income tax nor will they reduce capital costs for tax purposes.

Included in eligible current expenditures are all amounts expended by or on behalf of the corporation and payments by a corporation to an approved association, university, research institute, non-profit research corporation or other corporations for research and development related to the business of the corporation. Also included are repayments of amounts received by a corporation under federal government cost-shared research and development assistance programs such as the Department of Industry's Program for the Advancement of Industrial Technology and the Defence Development Assistance Program. In determining the eligible current expenditures during the grant period, the total operating research and development expenditures must be reduced by any income received by the corporation for research and development performed for others.

The incentive is available to taxable Canadian corporations and proprietary Crown corporations carrying on business in Canada. Organizations and institutions not subject to income tax are not eligible. In this context, I should like to reiterate that this incentive will be available to all firms incorporated in Canada without discrimination as to type or class of industry, size, ownership or profitability.

Under the proposed Act, where companies are financially associated with each other, provision is made to ensure that the sum of the benefits payable to the companies individually does not exceed the sum of the benefits to which the companies taken collectively would be entitled. These provisions suitably modified for the purposes of the Act are the same as those which were contained in Section 72A of the Income Tax Act.

For the purposes of the Act, scientific research and development will be defined by regulation, generally in accordance with the international standard definition, devised by the Organization for Economic Co-operation and Development. The definition is intended to embrace all technical activities essential to the development of new or improved products and processes.

Applications for grants under the Act will be submitted in retrospect and will be reviewed to determine that the expenditures incurred have been calculated in accordance with the provisions of the Act and are for bona fide scientific research and development which, if successful, will be likely to benefit Canada.

As was previously the case under Section 72A of the Income Tax Act, expenditures must be for research and development work carried out in Canada and related to the business of the corporation to qualify for the incentive. Since the basis for this incentive is the expectation of an economic return to Canada, we must encourage to the greatest possible degree exploitation of research and development results within Canada. Therefore, in order to qualify for this incentive, a corporation will be expected to provide assurances that it is free to exploit the results of such research and development in Canada, and that it is also free to exploit the resulting product in major export markets.

Grants will be payable out of the Consolidated Revenue Fund, on the authorization of the Minister of Industry. Since it is proposed that benefits payable under the legislation will be available until such time as the Act may be amended or repealed, provision is made for an annual report to Parliament. Based on our present projections for industrial research and development growth, we estimate the maximum cost of the program for the first full year of operation will be of the order of $30 million, and if our expectations are realized, this figure could increase by approximately 20 per cent per year.

The Committee may recall that when the original announcement of this new incentive was made, firms were invited to submit their views and suggestions to assist the government in drafting the covering legislation. Since then, both I and my colleague, the Minister of Finance, and officials of our two Departments have had many discussions with the representatives of the major industrial and trade associations and with senior officers of many individual companies. Their suggestions have been most helpful in preparing this legislation and the draft Bill reflects the results of these discussions. I may say that the draft Bill appears to have been favourably received, and would add that as a result of more recent

discussions with industry, I shall be proposing, at a later time for consideration by the committee two minor amendments of a technical nature. I say all this Mr. Chairman because I would like it understood that during the preparation of the Bill there has been considerable consultation with industry, that we have given careful consideration to industry's representations and we have every reason to believe that the Bill is both workable and meets the needs of industry.

This new program is envisaged as a catalyst for technological progress which it is hoped will help to improve the competitiveness of our industries and to develop wider markets both at home and abroad for their products. It is also expected to help create an industrial environment attractive to our best qualified scientific, technical and managerial personnel. Moreover, since investment in research and development is economically regenerative, the potential return to the national economy could be many times the original outlay for such a program.

Mr. Chairman I commend the bill to the committee.

The CHAIRMAN: Are there any questions? I see Mr. Davis has his hand up.

Mr. DAVIS: Mr. Drury, I have the impression—and perhaps you can correct me—that in respect of this support for research we are moving from the general to the specific. Formerly firms that have been in a profit position have been able to get some relief relative to their payment of income tax. Now we are moving toward specific grants to specific firms for a specific process or product. If this is so, and the program becomes largely one of grants for specific firms for specific purposes, how do you plan to administer it?

Mr. DRURY: Grants will be made to specific firms but will be no greater particularization than there was in the case of the income tax arrangements, whereby each company had to be dealt with separately in assessing its eligibility for income tax relief.

I would emphasize that this is a general grant for research and development, and in determining both eligibility and the quantum of the grant, all the research and development activities of the corporation, and not merely specific projects would be considered. To administer this within the Department of Industry there will obviously be required a group who will have to be familiar with the research and development programs of corporations applying for the grant and in a position to make a determination on the eligibility of a particular corporation's activities for the benefit of a grant, and make recommendations accordingly.

Mr. DAVIS: The earlier form of support was largely in retrospect. In other words, the company had to make a profit and so on before it could take advantage of the tax concession. You said something in your remarks this morning to the effect that the amount of these specific grants would also be determined in retrospect. Was I correct in that interpretation or can a company or other organization be assured of a given amount of support before it undertakes a program?

Mr. DRURY: The amount of the grant is obviously determined by the expenditures, either capital or current, of the company. It is only after the expenditures have been made that one can ascertain what they were, and,

consequently, the amount of the grant. There will be assurance to the corporation that a grant will be forthcoming.

Mr. DAVIS: An assurance, in principle in advance, but not a stated amount.

Mr. DRURY: The specific amount will be determined by the corporation itself.

Mr. DAVIS: In most cases, during the course of its program?

Mr. DRURY: During the course of its program.

Mr. DAVIS: More or less according to the money they put into the program.

Mr. DRURY: The more money they put in the larger will be the grant; the less they put in the less will be the grant. To this extent they determine what their expenditures are going to be.

Mr. DAVIS: Your department will put some outer limits on this, perhaps, but in principle you clear the project and then the accounting is done.

Mr. DRURY: No; there are neither maxima nor minima provided by the department.

Mr. DAVIS: Then the only brake on this is what the corporation sees in terms of its own balance sheet.

Mr. DRURY: That is right.

Mr. DAVIS: That is an effective brake, I suppose, because they are putting up 75 per cent.

Mr. DRURY: That is a brake; and I should make clear to members of the Committee that this is not a program to finance 25 per cent of all research and development done by a corporation. This assistance relates to incremental research and development.

Mr. DAVIS: Twenty-five per cent of the capital?

Mr. DRURY: Twenty-five per cent of the new capital.

Mr. DAVIS: And 25 per cent of the increments in operating, or current, expenditures on research?

Mr. DRURY: It is 25 per cent of the increment over the average of the previous five years, or less if they have not been engaged in it at all.

Mr. DAVIS: Thank you, Mr. Chairman.

The CHAIRMAN: Mr. Bower and then Mr. Saltsman.

Mr. BOWER: I would like to ask Mr. Drury if a company could find out ahead of time what will be considered eligible in order to qualify subsequently for the grant?

Mr. DRURY: I hope there will not be too much difficulty about this. We will publish regulations defining, as precisely as one can, what is research and development in order to qualify. It is hoped that these regulations will be readily comprehensible by those engaged in this kind of work, and then it will be up to the company to determine how much effort they want to put into this.

We have had a problem with the present act in that the interpretation, or determination, of what is research and development to qualify under section 72A of the Income Tax Act is the primary responsibility of the Department of National Revenue who perhaps have not as much familiarity with this particular field as they might have and who currently seek advice from the Department of Industry and the National Research Council. I would expect that matters would be more expeditiously determined and with greater clarity for the people engaged in research and development, by having all this focused within the Department of Industry, which is rather more familiar with, and experienced in, these matters than the Department of National Revenue.

Mr. BOWER: Would an applicant have any appeal process? For example, if they went ahead and capitalized and increased the tempo over their base period of activity and then it was ruled that they were disqualified, is there any machinery whereby they may appeal?

Mr. DRURY: There is no provision in the bill for an appeal. Indeed, there is not, to my knowledge, in relation to any federal grant legislation, provision for an appeal against denial of a grant. There is, of course, available to an individual who applies for a grant and is refused on the grounds that he does not conform to the act, the usual remedy available to any citizen, and that is of going to the courts and getting a judicial interpretation if he is not satisfied with the administrative interpretation.

Mr. BOWER: I have been thinking of duplication of effort. Suppose there are four or five entities all doing the same sort of thing. Would they all qualify?

Mr. DRURY: They would all qualify. One of the characteristics of research activity, generally, is freedom to engage in the research field in activities which appear to offer the most attractions and for which a man or a group feel themselves to be best qualified. Sometimes they succeed in achieving the object they are directly seeking, but there have been a great many instances of very useful results from research in the form of a by-product, if you like, or side-issue, and an endeavour by the government, or a department of government, to define and regulate research and development activity is, I think likely to place an undesirable brake on the search for innovation.

We in Canada are doing much less in this field than I certainly hope we will. We are doing much less, if one looks at the levels of activity in this field in comparison with other industrialized countries. We have to do a lot more.

One would expect that in due course the Science Council would be able to indicate in a general way what our objectives should be and this purely advisory device could be used to avoid duplication or undue concentration in one field.

Mr. BOWER: I notice, Mr. Drury, that, to qualify, the entity apparently has to be an incorporated company. What about an individually-owned business, or family business not incorporated?

Mr. DRURY: This incentive operation is a relatively new field for government, and we have to acquire some experience in this field. It is hoped that the bill, with a somewhat limited area of activity or incentives, will produce a very substantial increase in research and development activity in this country. When we have had a little more experience with the rather more highly organized entities it would be time, perhaps, to look at either unincorporated groups,

individuals; but it might well prejudice the success of the initial steps to try, in this first effort, to make it all-encompassing and try to accomplish too much.

Mr. BOWER: I do not want any of my questions to leave the impression that I am against the bill. I think it is a wonderful idea. I am just interested in the mechanics of how it works. I believe we need to do much more research than we have done in Canada. I am not against anything that is basically good. I am just thinking aloud.

The research developed in Canada could seep abroad. I do not know that I am against it, or whether the other members of the Committee are but we could become a sort of research haven. In other words, companies owned abroad might find this a wonderful spot in which to do cheap research by virtue of the grants. I say at once that the more research done in Canada the better. Have any members any thoughts on this vague perturbation that I have in my mind at the moment? It may be that it is the best thing in the world that it occur. Perhaps it is the way to stop or reverse the brain drain—let us do some draining our way. I am not being critical. It is just a vague thought in my mind, which you might want to consider.

Mr. DRURY: This is a very important and interesting question and it has been the subject of considerable discussion by the department. It will be appreciated that the fundamental purpose of this bill is not to cure the brain drain, in so far as this is a problem, although this is desirable and will be, I hope, a side-effect of the bill. It is not the purpose of the bill to encourage in Canada research for the sake of research although there is something to be said for this, too.

The basic purpose of the bill is to increase the exploitation, within Canada, of improved technology arising out of research and development. It is for this reason that we will insist on corporations which do qualify, or which receive grants, providing assurances that they are free; that there are no laws, no corporate policies, no inter-corporate agreements, which will in any way prevent their exploiting within Canada the results of this research and development.

It may well be that the products of some research will not, for one reason or another be economically exploitable in Canada. I do not think that this possibility alone should disqualify them, provided that they are free to exploit if it is economically practicable to do so. If it is not, then they will exploit it outside of Canada.

However, I do not think, given these two postulants, that this bill is likely to lead to the creation of research establishments or research activities in Canada designed for exploitation abroad, and producing what you have described as a research haven.

Mr. BOWER: Thank you, Mr. Chairman.

The CHAIRMAN: A supplementary question, Mr. Faulkner?

Mr. FAULKNER: Do I understand you to mean, Mr. Drury, that the only possible type of research that could be covered by this bill would be applied research as opposed to fundamental research?

Mr. DRURY: No, not at all.

Mr. FAULKNER: When you talk about the practical application of research and the exploitability of technology, would that not rule out fundamental research?

Mr. DRURY: No, I do not think it does. All I am saying is that a corporation which applies for a grant, whether it is in respect of fundamental research or applied research, must be able to demonstrate that, whatever the product of this research is, there are, other than economic considerations, no policy, political or legal barriers to its exploitation in Canada.

The CHAIRMAN: My next questioner is Mr. Saltsman; and after that we have Mr. Andras, Mr. Hopkins, Mr. Hales, Mr. Chatwood and Mr. Faulkner.

Mr. HALES: Mr. Chairman, I have a question related to this point that we are on now. Perhaps it is a supplementary.

The CHAIRMAN: If it is a supplementary I can accept it.

Mr. HALES: For clarification on this particular point, let us take an American subsidiary in Canada, which qualifies for a 25 per cent grant for research and development work. The product which they develop by means of this research and development may, or may not, be made in Canada. Is there any provision in the bill to prevent the occurrence of the situation where the home office, if it is an American based company, takes a 25 per cent grant, does the research in Canada, develops a product and then manufactures the product in the United States?

Mr. DRURY: There is nothing in the bill which will stop this happening. If the corporation discovers that it is economically impracticable to manufacture in Canada they would not be denied eligibility on these grounds alone. What we are seeking to do is ensure, before a grant is paid, that there is no corporate policy, inter-company agreement, or by-law of the corporation, or whatever it may be, which will prevent the products being manufactured in Canada.

Mr. HALES: Does Mr. Drury not think that it would be a good idea to write into the bill that if we are going to provide the money and the means for research then that product must be made in Canada?

The bill should spell this out. After all, it is the Canadian taxpayers' money that is being put up to do this research and development, and the returns or the benefits from it, should accrue to the advantage of the Canadian taxpayer.

Mr. DRURY: Needless to say, it is the policy and, indeed, the purpose, of the Department of Industry to see that this happens to the maximum practical extent.

If, however, one tries to write into the bill that grants will be made only if the resultant product is manufactured in Canada, either exclusively, or whatever the case may be, this will mean that the government will not only have to scrutinize in detail all the research and development activities of every corporation that applies for a grant, but will also be called upon to make an economic judgment on the practicability, in the free enterprise economy, of economic manufacture in Canada as against elsewhere.

I suggest that it would likely inhibit very seriously indeed the undertaking of research in Canada under the terms of this bill if, under the law, proof was

required that the product would be manufactured in Canada even though it was economically unsound to do so.

Mr. HALES: That, it would seem to me, would be its original purpose, without writing it into it; that we should scrutinize the grant as well as where the product is going to be manufactured.

Mr. DRURY: This is setting the federal government up, to quite a large degree, as the controller of research and development activities within corporations, but I think that not only the corporations themselves but those engaged in scientific research would regard this detailed regulation as a serious inhibition.

Mr. HALES: Is there a bill similar to this in the United States, and, if so, have they written into that bill the provisions that I have mentioned?

Mr. DRURY: To the best of my knowledge there is no general legislation of this character in the United States. There are a number of specific appropriations by various departments providing for assistance to research activities.

We have another program which does incorporate the features that you have suggested, which I mentioned in my remarks, that is the program for the Advancement of Industrial Technology in Canada, under which the federal government assumes, with the product developer or manufacturer, in effect, half the risk of the development. Under this program half the cost, in respect of the development of a particular new product or process to be manufactured in Canada, in the form of a repayable grant, is assumed by the federal government. The grant is contingent on the product's being manufactured in Canada, and not elsewhere. If the development and marketing are successful the government grant is repaid; if the developmental work is unsuccesful, the grant is not repayable. The program is limited to the development of products produced in Canada, not those produced elsewhere.

To go back to what we were talking about earlier, a requirement that all the output be exploited exclusively in Canada would be extremely difficult indeed to administer, and would—perhaps which is more important—negate the incentive features of this bill. This is an incentive bill. To introduce very substantial inhibitions would make it schizophrenic.

The CHAIRMAN: Mr. Davis, do you wish to ask a supplementary question?

I may just say that I hope it will be just one, because Mr. Saltsman is waiting very patiently. I will allow one supplementary and then I will call on Mr. Saltsman.

Mr. DAVIS: Mr. Drury, before granting approval in principle to a firm to carry on certain research, the officials of the Department of Industry and of the Department of Trade and Commerce get together and assess this particular project, and decide whether it will be to the advantage of Canada, this is done at a very early stage.

Mr. DRURY: Now you are talking about a particular project. It is not the intention to scrutinize in detail the research programs. One could cite as an example Imperial Oil, and Dupont, who do a very substantial amount of research in Canada. They have very large research programs involving a great many projects and an even larger number of products. It is not our intention to set up

a bureaucracy which could be familiar with all the details of all these program and look at the appropriateness, the liability and the economic prospects of each of these particular projects, but merely to ensure that the company, in respect o its research development activities, is free to exploit in Canada the products o these activities where it is economically practicable to do so.

We will, of course, as we do in other fields, encourage manufacturers t prefer exploitation in Canada, and there are a number of ways in which thi encouragement can be given, but to require them by statute to manufacture i Canada and export from Canada as a condition precedent, would, I think, be rather serious limitation and tend to negate the whole purpose of the bill.

Mr. SALTSMAN: Mr. Drury, I seem to detect a new philosophy, or the freein of a philosophy, in this bill in which science and research are recognized as th sorts of things the limits of which you cannot define too clearly. If you are goin to create worthwhile programs you have to suffer some losses; but there has t be considerable freedom so that you prepare a climate. I am very optimistic tha that part of the attitude that is reflected in the bill will probably be a good thin for Canada.

It is non-discriminatory in the sense that an American company, or an other company that operates in Canada, can make an application under th provisions of this act. I think it will go a considerable way towards meeting th objections that are being raised every day about the lack of research in Canada You certainly cannot have it both ways. We cannot say that we want researc in Canada by an American firm, but, at the same time, that we are not going t offer incentives, or that we are going to watch these things so carefully as t nullify the whole purpose.

Mr. DRURY: I apologize for interrupting. It is not available to America firms; it is available only to Canadian corporations.

Mr. SALTSMAN: I know; but if they are an American-owned company registered in Canada, it is pretty much the same thing, is it not? It is a lega technicality. In other words, their parent office may be in the United States an they may have a branch or company that is registered here in Canada. Thi makes them automatically eligible, does it not?

Mr. DRURY: It does, if it is a Canadian corporation, obviously employin Canadians and operating in Canada, the question of ownership in this fiel perhaps is not—

Mr. SALTSMAN: This certainly would not prevent American companie which might not be eligible now, if this were a large enough incentive fo them—which I am not sure that it is—from opening a branch plant in Canada t take advantage of the provisions of this act, once they qualify under the bas period.

Mr. DRURY: There may well be investors abroad who would want to tak advantage of this and, because of this, set up a research and manufacturin establishment in Canada under a Canadian corporation—a company, incidental ly, amenable and subject to the jurisdiction of Canadian law.

Mr. SALTSMAN: I think it will overcome some of the objections that wer taken a long time ago to the lack of opportunities for our research people in thi

country, or to the fact that American branch plants are not doing as much of their research in Canada as they should, in as much as they are buying their research and those things that are related to research. It may be a fair sized price to pay, but we probably are paying it at the present time in terms of incentives.

You start a program of offering incentives. This is a positive sort of thing. I can see why you would want to do this. Will you also be giving consideration, at a later date, to providing "disincentives", so that unless companies here in Canada, which are conducting activities of a certain size, set aside in a certain proportion of their resources for research, they will be subject to some tax penalty? We are giving them incentives now, and I agree that these positive measures should be taken, but in fairness to the Canadian public perhaps some consideration should also be given to the other side of the coin. Have you given this subject consideration?

Mr. DRURY: By "disincentives" you mean to impose tax penalties on people who do, or do not, do what?

Mr. SALTSMAN: You might consider two tax figures: one for people who do a certain percentage of their research in Canada, and one for those who do not. This would have to be worked out. In effect there would be a penalty imposed on those who did not do as much research in this country as they might be able to do.

I am not quarreling about the positive aspects of this bill, but I am not sure that we can solve this problem only on a positive basis; there may have to be another side to this.

Mr. DRURY: This tends to be an attempt to discriminate between Canadian companies on the basis of ownership.

Mr. SALTSMAN: No, I do not mean it that way; it would apply to all companies, as your tax incentives now apply to all companies. I think that any provision would have to apply to all companies in Canada, whether Canadian-owned, or American-owned, or owned in any other way. I do not think it would be discriminatory.

Mr. DRURY: I see what you are driving at, but this is really a very complicated question. You will recollect that the guidelines for good corporate behaviour provide that a reasonable portion of the total research and development effort of the corporation should be carried out in Canada, and presumably one is offending if this is not observed. This is to some degree a "disincentive".

I think it would give rise to considerable difficulty to endeavour to devise a program, which would have to be precise and very clearly elaborated if you were going to impose tax penalties, which did not discriminate on the basis of ownership, but tried to impose penalties on those who did more research abroad than they did in Canada, or vice versa. This would, presumably, apply only to corporations which were conducting research and development in more than one country.

Mr. SALTSMAN: I want to make myself clear on this. I do not want to make the comparison between the amount of research they do in Canada and the amount of research they do abroad, because this, of course, affects only corporations which are not strictly Canadian. I am considering the total picture of

research; that there be incentives for people who do a certain percentage of research, period, with no comparison with what they do abroad, and to the extent they allocate the resources of their industry to research purposes in order to create the kind of society we are talking about within the country. I do not think it is really fair to start making an analysis of what they do, or do not do, abroad. We should take a look at our industry in total, and those companies which do research and which spend a greater proportion of their resources or of their activities in research should have some kind of reward and the others some kind of penalty.

Mr. DRURY: This is coming pretty close to having the federal government's assuming what is one of the very important elements of management in the affairs of every single corporation.

Mr. SALTSMAN: But you already have done this—

Mr. DRURY: No.

Mr. SALTSMAN: —in a positive way by offering incentives.

Mr. DRURY: Yes, you can in a positive sort of way. The corporation is free to avail itself of it or not. It is quite a different thing to say, "Unless you behave in a certain way, we are going to tax you." This is real control, and, I suggest, is fundamentally different from offering an incentive.

Mr. SALTSMAN: I do not want to go too far into this, but when you offer a positive incentive to a company there is a payment that has to be made by the entire nation, and presumably those elements in the nation who are not benefiting from these payments are underwriting the cost of those who are. Therefore, you have an indirect form of taxation.

What I am suggesting is that we extend this and do it a little more positively. In other words, we should use both methods, instead of just restricting ourselves to one and saying that one is not an infringement of free enterprise and the other one is. I find this distinction very difficult to understand when you see the implication of helping out one industry and the cost of that has to be borne by the rest of the people in the economy. I will leave that for now.

Have you made any provision for offering this incentive to industrial groups who form themselves into associations for the purpose of group research? Let us take industries such as the furniture industry and the electrical appliance industry, which want to form a trade association for the purposes of conducting joint research, perhaps, on the rationalization, or standardization of components that they might be able to develop in this country. Have you any provision in this bill to make payments to such a group for joint industrial research?

Mr. DRURY: Not directly; most of these trade associations are non-profit organizations and have no corporate structure with the standard, well-established, well-understood set of duties, responsibilities and rights. If a group of companies within an industry desires to engage in group research—and I hope they will because this is a good approach and we are trying to encourage it—the amounts that the individual corporations pay into such a group, whether it is incorporated or not, would qualify for the grant in the hands of the companies making payments. But the association, or the group, or the consortium as such, not being incorporated, would not be able to make direct application.

Mr. SALTSMAN: I am wondering whether your department should not consider this. I think it is desirable for industries, or people in a specific industry, to get together for joint research. Would you not consider offering some special advantages, under the provisions of this act, to encourage them to undertake this kind of activity, which might result in greater benefit for the whole industry at less cost.

Mr. DRURY: Well, this technique is now a part of the program for the advancement of industrial technology, which I mentioned earlier. One gets into accounting difficulties if grants are made to non-profit organizations, or those which are unincorporated, and I hope it will be clearly understood that, in effect, payments made to a consortium of this character for group research, would both collectively and individually—although not directly—be supplemented by this grant in the hands of the companies.

Mr. SALTSMAN: The difficulty under the present provisions is that they get no more incentive by acting collectively than they do by acting alone. This is especially true with the larger companies.

Mr. DRURY: That is true; they get no more dollar-incentive; but I am happy to say that it has become apparent to a number of industrial enterprises that the most effective, the most economical and, in some cases, the only way they can carry out research is on a group basis rather than individually.

Mr. SALTSMAN: I would like to see in this bill a provision whereby some premium is paid to those who conduct their research on that basis, as an encouragement to others to go into this kind of activity. I presume, under the provisions of this bill, they can buy their research from a university or a crown corporation and receive the benefits that are available. Is that correct?

Mr. DRURY: That is correct.

Mr. SALTSMAN: This is another way of doing the same thing. Smaller companies who cannot operate their own research activities would go to the Ontario Research Foundation and ask them to undertake a project, and 25 per cent of the cost, if they qualify on the base period, would be paid.

Mr. DRURY: That is correct.

Mr. SALTSMAN: I think that is a good and worthwhile feature of this bill. I have a question for clarification relating to page 3, where it is stated:

> (2) Where an applicant was associated with one or more other corporations in the applicant's grant period, a grant authorized by the Minister to be paid to the applicant. . .

Is there any danger that a company associated with other companies in the United States, or any other country, can divert some of that through bookkeeping. I really do not know how to express it as I would like to. . .

Mr. DRURY: Just let me say, in general terms, that the wording of this bill is quite complicated in some of the clauses and this is a consequence of the efforts of the Department of Justice to avoid that happening. As I mentioned in my opening remarks, the language, or the technique, used to avoid this kind of thing is that which has been reasonably successful to date under the associated company provisions of section 72A of the Income Tax Act.

Mr. SALTSMAN: On this base period, you recognize that, with costs going up, you have made no provision for adjusting the actual inflationary increases of the base period; so that even if a company does not increase in its total volume of research, its base period is going to change. In other words, its base period is fixed on some year's cost and the next year those costs may go up and without that company doing any more research than it did before, just because the cost of equipment has gone up, or the cost of personnel has gone up. In other words, the same project.

Mr. DRURY: Would you assume, Mr. Saltsman, that any increase in emoluments represents an increase in productivity and output?

Mr. SALTSMAN: That is a very good question, but I will have to say No; because it is not always related.

Mr. DRURY: This is not what we hear from the labour unions.

Mr. SALTSMAN: No; I do not think we can argue this. It is a pretty hard position to defend.

Mr. DRURY: It is quite true you cannot, in this field at any rate, relate directly output to input. The dollar input may be very large and the output very small indeed, or the dollar input may be very small and the output very large in economic terms. The fact that one uses a rolling base is some kind of compensation for price increases.

Mr. SALTSMAN: You may have to consider this idea of a rolling base, in order to accomplish the thing you want to accomplish which is really an increase over a base period. Now unless you take this into consideration or take a look at the thing and see how much of a problem it becomes, you may nullify what you are trying to do in this bill, which is to increase the total amount of research rather than to just subsidize research that is already taking place.

Mr. DRURY: That is quite right.

The CHAIRMAN: The next questioner is Mr. Andras.

Mr. ANDRAS: Mr. Drury, in your opening remarks you referred to the definition of eligible research as being that which is generally accepted by the OECD. Would you elaborate a bit on that, what the OECD sets up as the standard acceptable?

Mr. DRURY: I suppose, basically, the problem we are trying to solve here is what is meant by "research". There are two approaches to this. One is research in terms of "art", a word that is popularly understood, and there are changes almost from year to year in what is included in this research. Latterly it has been fashionable to describe as "research" what previously might have had a rather more prosaic term—"economic investigation", or "social investigation", or whatever it may be. What we have to do is try to find a definition which will include the things that seem to be desirable but not necessarily reflect changing fashions.

One of the items in the industrial community that has come to be regarded as important research is a phase of economic investigation known as "market

research". The purpose of this bill is to encourage improvements in technology—physical technology, industrial technology—and this does not include market research, although this is popularly being described as a form of research.

Mr. ANDRAS: It does not include, for instance, industrial relations research, either.

Mr. DRURY: That is correct. The current definition of the OECD is the...

...systematic investigation or search by means of experimentation or analysis carried out in a field of science or technology, including:

(a) fundamental research, which is work undertaken for the advancement of scientific knowledge without a specific practical application in view, or

(b) applied research, which is work undertaken for the advancement of scientific knowledge with a specific knowledge with a specific practical application in view, or

(c) development, which is the use of the results of fundamental and applied research directly to the creation of new or the improvement of existing materials, devices, products and processes.

They then give effect to what I was mentioning:

...does not include:

(a) market research or sales promotion,

(b) quality control or routine testing of products or materials,

(c) research in the social sciences or the humanities...

and your industrial relations research would fall under this category.

(d) operations research or research in the psychological sciences except where directly related to the development of new or the improvement of existing products and processes,

Mr. ANDRAS: In relation to these terms, it pretty well comes back to product research, does it not?

Mr. DRURY: Product and processes.

Mr. ANDRAS: Yes.

Mr. DRURY: As I say, the basis of this bill is the upgrading of technology in Canadian industry, not for research for the the sake of research.

Mr. ANDRAS: Now, it is my own fault, but I have not had the opportunity to do my homework on this bill. Quickly reading through it I get the impression that grants will be authorized, all other things being equal, to corporations that have made expenditures; in other words, those who have already made commitments themselves. There is no thought of authorizing grants in advance, and of having, a corporation coming to you and saying "We would like to do some research on this product. Will you authorize a grant?" I suppose they could come to you and try, by saying, "does it look as if this will suit?", but there would be no formal grant in advance of expenditures.

Mr. DRURY: Not in advance of expenditures. The authorization for a subsequent grant will be inherent in an understanding by the applicant that he will meet the criteria of the act, and that he, in fact, will make expenditures himself.

Mr. ANDRAS: I suppose that in all practical applications, as this gets rolling, most corporations would come to you and say, "This is what we have in mind". Does it look as if it would get encouragement from you?"

Mr. DRURY: This will frequently be the case. The person will be prudent to ensure, as far as one can determine in advance, that what he is going to do conforms to the statute.

Mr. ANDRAS: I am certainly encouraged by the flexibility that you seem to be attempting to have in this legislation, particularly since it is to some degree a new departure. It seems to me, however, that most corporations, or individuals, who want to conduct product or processing-research are most concerned, first, about the risk that in the end this may come to nothing, and that they may expend a lot of money to no avail; and, secondly, that they may even have some difficulty in allocating sufficient funds to finance the research itself. Therefore, what would prevent corporations from going into it in the first place, would, mainly, be the risk of losing everything they had put into it, and, secondly, their ability to finance it as it goes along.

However, once a product or a process has been researched and has become successful they are going to price that processing procedure, or that product, at a level which will recover their capital expenditures, including research and so on. In other words, it is then going to be successful.

In developing the bill have you considered the idea of recovering by royalties, or in any other form, the government's investment in that research? You recognize that if the thing did not get off the ground your portion of the investment would be gone along with theirs. In other words, you would be removing the risk aspect of it, and you would be helping on the financing aspect of it, although you authorize this in advance, which means that you go to the bank to get money. Once it got off the ground, and a successful product is being marketed as a result of this research, is there not some justification for the government's saying "All right; we want a royalty on this, at least to the degree of the recovery of our grant. Then you are off and rolling and it is all yours"? I would not want to inhibit it, but it seems to me this has some merit.

Mr. DRURY: This, of course, must be related to a specific product. What you have described is almost precisely the Program for the Advancement of Industrial Technology, in which the government shares the risk. If it is unsuccessful the grant is non-repayable; if it is successful then the grant is repayable 100 per cent with interest.

This bill is directed rather at the general field where it is somewhat difficult to separate, perhaps, specific projects and specific products. This general incentive is one for increasing research; not a reward for doing research, but an incentive to increase research and development activity in Canada. This covers one aspect of the whole of corporate activities in relation to research, and this incentive is to encourage them to do more, in that the increment is bonused; whereas, in respect of the development of a specific product and the financial risk it entails—I am glad to say that—we do have a program directly comparable to the one you indicated, to take care of specific products.

Mr. ANDRAS: Would it be possible for a corporation to stop dealing with the other program and make all their efforts under this umbrella?

Mr. DRURY: They can, in fact, engage in both.

Mr. ANDAS: Would it be preferable to put all their effort into this rather than the other so that they would not have to pay anything back?

Mr. DRURY: I do not think that a corporation very much minds repaying, even with interest, a grant in relation to a successful product. In relation to one that is unsuccessful, the Program for the Advancement Industrial Technology is a more generous one in that the grant is 50 per cent of the cost of development, whereas this is only 25 per cent of the increment.

Mr. ANDRAS: That would be the key to their choice—the greater incentive in the other plan?

Mr. DRURY: It is likely to be; but for the Program for the Advancement of Industrial Technology one has to identify a specific project and it has to be examined by itself and assessed; whereas this allows freedom to the corporation to engage in a wide range of research activities without either scrutiny or revealing what the details are.

Mr. ANDRAS: I have just one final comment, rather than a question. The fear was expressed earlier this morning about our setting ourselves up as a benevolent government by giving grants to projects that might get outside the country. It seems to me that you have recognized it in clause 3:

Expenditures must be likely to benefit Canada.

You have also made provision to check it carefully under clause 12 where you refer to consultation with the Department of Trade and Commerce, in particular. I personally think that at this early stage of this new venture you are very wise not to write in all sorts of inhibitions; although you may have to do it later.

Mr. DRURY: It seems to me it is the unfortunate course of human experience that people seek loopholes, find them, and then it is the job of parliament to try to close them.

The CHAIRMAN: We are approaching the adjournment hour. I have two more questioners, Mr. Hopkins and Mr. Chatwood.

Mr. HOPKINS: Mr. Drury, did I understand correctly that you said that crown research corporations would be included under this program?

Mr. DRURY: Crown corporations are of a variety of makeup. There are the proprietary corporations, an example of which is Polymer, which endeavours to operate as much as possible like a normal, privately-owned, commercial corporation. These would be eligible for grants.

I am just trying to think of a crown corporation—

Mr. HOPKINS: I would like to give you an example, if I may. Would a crown corporation such as Atomic Energy of Canada Limited benefit in any way?

Mr. DRURY: The plan is that Atomic Energy of Canada would not benefit. Perhaps the key excluding feature would be that, to be eligible, the crown

corporation must be in the taxpaying class. Atomic Energy of Canada does not pay income tax.

Mr. HOPKINS: Where you have a private enterprise corporation whose business does not grow but who have done away with a section of their business and in its place have set in operation a new type of research and where, their business probably increased in value because of the new research, but not in size, would this new section on research that they started qualify for a grant?

Mr. DRURY: The grant is related to the size of the research activity, not to the size, or the growth, of the corporation, as such. Theoretically, a corporation could increase its research activities from zero to 100 in one year, but its total volume of business—for one reason or another—could decline by 50 per cent. The decline of 50 per cent would be irrelevant to this bill. What is of significance is what is the relationship of research activity from one year to the next. Going from zero to 100, the increment would be 100. It would be on the basis of this 100 figure that they would qualify for a grant.

The CHAIRMAN: Mr. Chatwood?

Mr. CHATWOOD: In the paragraph relating to the grants you refer to their being in Canada. Let us consider fisheries research, and possibly deep sea research, which might take place off the coast although it started technically in Canada. Would this also be eligible for the grant?

Mr. DRURY: This is an interesting question to which I do not know the precise answer. The corporation is in Canada, and I would think that so long as the research was conducted within the 12-mile baseline limit we probably would not have any problems.

The CHAIRMAN: Mr. Drury, we have to get the 12-mile baseline first.

Mr. DRURY: I would not like to be held to this forever, but, generally speaking, research carried out by a Canadian corporation elsewhere, other than in some other national territory, would qualify. Now, if a Canadian corporation were to carry out research in the United States, or in the United Kingdom, that research would not qualify, but the high seas, I suppose, would be sort of a no man's land.

Mr. S. S. REISMAN (*Deputy Minister, Department of Industry*): It is where the expenditures are made, sir. The advisers say that if the expenditures are made in Canada they expect that they would qualify.

The CHAIRMAN: They would not be made in the abstract on the high seas, in any case—if the chairman may intervene on this—because a fishing company has to have a base of operations somewhere.

Mr. CHATWOOD: I am not asking for a definite answer, but perhaps your advisers could consider this and be sure that in the case of the deep sea—

Mr. DRURY: It is a high-seas problem. We will make a note of it.

Mr. ANDRAS: Mr. Chairman, a supplementary, if I may. Do I understand that the expenditures of a Canadian-based operation, made in some other country and related directly to this research, would not be eligible to be considered as part of the—

Mr. DRURY: I do not think I said "expenditures". I referred to research carried out in another national territory. Now, obviously, a firm in Winnipeg engaged in research activities may need a microscope of a particular kind which is available only in the United States, or in Switzerland. If those were the only source from which they could obtain it they would have to make expenditures in the United States or in Switzerland in order to carry out their research in Winnipeg. This would be an expenditure made elsewhere than in Canada but which would still be part of the necessary expenditure for the research being done in Winnipeg, and this would qualify. However, if the corporation in Winnipeg were to contract for research to be carried out on some other national territory then expenditures for this research being carried out elsewere would not qualify. Do I make myself clear?

Mr. ANDRAS: Even if they were supplementary but very important to the main research?

Mr. DRURY: Even if they were supplementary or very important, yes; because the purpose of this is to encourage the doing of research in Canada; not partly in Canada and parly elsewhere.

Mr. CHATWOOD: Mr. Chairman, I have another question. This bill, I take it, will provide grants to companies which previously received relief in the income tax area.

Mr. DRURY: As well as others.

Mr. CHATWOOD: I believe that we are removing from that relief from income tax after 1967. Can we be assured that this bill will cover all the areas that previously had relief under income tax that are now having that relief removed?

Mr. DRURY: It is planned that it will cover all those activities which previously benefited under section 72A of the Income Tax Act and, for the reasons I have outlined, a number of additional corporations which may not have had sufficiently profitable positions to take full advantage of the section.

Mr. REISMAN: And also additional activities, it is a broader definition.

Mr. SALTSMAN: I see that under the provisions here the grants are exempt from income tax, which, in effect, really, in some cases, will give them considerable benefits in excess of what appears as 25 per cent, depending on their financial position. Why does the Minister feel, or why do his advisers feel, that it is necessary to make this kind of provision?

Mr. DRURY: The present incentive is the right to charge, at the rate of 150 per cent, expenditures made on research and development, which means that by this increment of 50 per cent on your normal expenditures the income tax department is losing the right to tax that additional 50 per cent. The normal corporation tax rate is about 50 per cent, so that the income tax department is, in effect, financing a 25 per cent grant. Do you follow me?

Mr. SALTSMAN: You are going to give less than they were getting before.

Mr. DRURY: That is correct.

Mr. CHATWOOD: I am not completely clear on one area of the discussion this morning. Where a grant is being given to a company for research I understand

that if a second company applies they may be told that, because there are too many people already receiving grants for research in this field, they are not eligible.

Mr. DRURY: There is no such limitation.

Mr. CHATWOOD: There is no limitation; so that we could have many, many companies researching exactly the same thing, and you pay them each 25 per cent?

Mr. DRURY: This is possible.

Mr. CHATWOOD: Then, if they were all researching in the same area they would all be eligible?

Mr. DRURY: That is correct.

The CHAIRMAN: Are there any further questions?

Mr. CHATWOOD: That was my only question.

Mr. LEGAULT: I have a case in mind of a particular invention—

The CHAIRMAN: Excuse me a moment. I see Mr. Andras is leaving; and Mr. Reid has indicated that there is another meeting at 12.30. Is it your wish to pass clause 1 before we leave? If that is so, I would ask you to remain, because we will be without a quorum and we will not be able to pass the clause.

The CHAIRMAN: Mr. Legault, do you have a question?

Mr. LEGAULT: Yes, Mr. Chairman; I have a short one. The case I had in mind is of someone who is doing some research. It is a snow removal and disposal unit. He is encountering some financial difficulties. A proposition has been made to him by somebody interested in forming a corporation and buying him out. This is not completed.

Would this corporation be eligible for any grants if they bought out this individual who would be a member of the corporation formed?

Mr. DRURY: Obviously, a new corporation has to start at zero. The new corporation would be eligible under the bill for grants to the extent that it increased its expenditures on research and development. As I say, it would have a zero base with respect to current expenditures, so that in the first year 100 per cent of current expenditures would qualify for the 25 per cent grant, and the 100 per cent of capital expenditures for research.

Mr. LEGAULT: They could then define the particular amount which has been called for by the individual in selling the research, or the development, to that corporation?

Mr. DRURY: No, I do not think that money paid to an inventor for an idea already in existence would qualify for a grant. I assume, in the case you have in mind that the inventor hopes to recover from the corporation all that he has spent to date plus a little more for having had the idea. This payment by the corporation would likely be a complicated one which would partly be in the form of shares, and he might even get cash. It would be difficult to bring all that sum of money under this to qualify.

Mr. LEGAULT: Could an amount be determined to cover the research, or whatever debt this individual has incurred because of the expenses he has had in order to bring out this invention?

Mr. DRURY: No. I would think that quite clearly what he is being paid for is not current. All through the bill there, recurs the term "current expenditures". This would be past research. If I recollect, there is a provision somewhere that explicitly excludes—

Mr. REISMAN: It excludes expenditures made to acquire patents, royalty rights or licences.

Mr. DRURY: So the answer is No.

Clause 1 agreed to.

The CHAIRMAN: We shall meet again next week. I hope it will be on Tuesday. At that time we will do a clause-by-clause study of the bill, unless you wish to pass all the other clauses now.

TUESDAY, January 24, 1967

The CHAIRMAN: Gentlemen, we are pleased to have with us again the Minister of Industry and his officials, who outnumber us again. We should not let that inhibit us though.

At the last meeting we carried clause 1 and we shall now continue with a clause-by-clause discussion of the bill.

Clause 2 agreed to.

On clause 3—*Scientific research and development grant authorized.*

Mr. C. M. DRURY (*Minister of Industry*): Mr. Chairman, I would like to suggest two amendments to Clause 3. It will be recollected that at the last meeting a question was asked about expenditures for capital equipment which could not be acquired in Canada and which is required for the post of Scientific Research. There are some large items of scientific equipment which can only be procured and are only available outside of Canada, and it is possible that in the second line of subclause (1) of clause 3 the words "that has made expenditures in Canada", in relation to capital equipment, might preclude the purchase of capital equipment only available outside of Canada. To get over this I would like to suggest to the Committee that we strike out the words "in Canada": in the second line of subclause (1) clause (3) in the first and second lines of clause 4, subclause (1) paragraph (a), and again in the first and second lines of clause 4 subclause (2) paragraph (a). I should point out that this will allow the removal of these words: for expenditures made on capital equipment outside of Canada. However, I would suggest that the removal of these words will not allow capital expenditures made outside of Canada in respect of the provision of buildings and other physical facilities outside the country to qualify as an expenditure related to a grant. I think this is rather adequately looked after by the last subclause in clause 2, which makes it quite clear that a reference in this act to "expenditures

on or for scientific research and development" includes only expenditures incurred for and wholly attributable to the prosecution of or the provision of facilities for the prosecution of scientific research and development in Canada. This would rule out the building, by way of example, of a laboratory in some other country by reason of having removed the words "in Canada" from clauses 3 and 4.

The CHAIRMAN: Does the committee unanimously agree to the inclusion of these proposed amendments.

(*Translation*)

Mr. GOYER: Mr. Chairman, because of the disparity of the texts, it is rather difficult to translate immediately the intentions behind the Minister's words. Do you have a French text of the amendment that is proposed because I would like to see the legal texts in writing before approving them. I have been just listening to them.

Mr. DRURY: Is there a French text of the bill?

Mr. GOYER: Yes, it does exist, it is before us.

Mr. DRURY: Well, I could explain the French text to you, the words "in Canada" are deleted.

Mr. GOYER: Yes, I understand, but whenever an amendment is proposed to a bill, could we have it in writing, and in French as well as in English.

Mr. DRURY: Well, frankly, this is not an official amendment. I thought the proceedings were rather informal. So, Mr. Chairman, I would propose that in Clause 3 (2), the words "au Canada" in the French text be deleted. Then, in Clause 4 (1) (a), the words "au Canada" be deleted and in Clause 4 (2) (a) the two words "au Canada" be deleted.

(*English*)

The CHAIRMAN: The Minister has proposed these amendments, and if it is the unanimous wish of the Committee we can vote on them.

Mr. SALTSMAN: The reason the Minister wants to make that change is probably that it has to be spelled out fairly clearly to take care of the situation where equipment is not available in Canada. I think it does weaken the act somewhat by making that particular kind of amendment by such a deletion, and I would prefer it if the Minister could find another way of doing it, perhaps leaving that as it stands and adding a clause saying that where such instrumentation is not available in Canada, discretion is permitted the body to authorize it for sale other than in Canada. I am not wholly satisfied that the protecting clause which he outlines would really convey that meaning as clearly as he would like to see it. I think the intent is that as many of these purchases as possible be made in Canada. On the other hand, there is a problem that this equipment might not be available in Canada, and it is a question of resolving this difficulty. I would be somewhat hesitant in agreeing to the deletions that the Minister has suggested; I would prefer the Minister to consider a different kind of amendment that would spell this out clearly and specifically, only if it is not available in Canada or under favourable conditions in Canada.

Mr. DRURY: Mr. Chairman, what is being suggested is an oblique reinforcement of tariff provisions. We have a scheme of customs duties, the purpose of which is to encourage people to buy Canadian manufactured goods in preference to importing them; and the tariffs are supposed to be carefully negotiated at a level sufficient to provide the amount of advantage in favour of the Canadian manufacturer that is needed, and it would seem to be a little illogical, perhaps, to try to upset the balance that has been achieved through the tariff—a balance which has been fairly carefully calculated, and is currently under negotiation at Geneva, by means of an act such as this.

Mr. SALTSMAN: I can appreciate that difficulty, Mr. Minister. On the other hand, you suggest that the purpose of your amendment is to ensure that grants would be available under conditions where scientific equipment was not available in Canada. It seems that we now are moving into another area where certain freedom—and I am not arguing against this point; I am just trying to get it clear in my own mind—would be given to these companies to make their purchases not only on the basis of its unavailability in Canada but on the basis of its price in some other countries, which is something different. The deletion of the words that you have suggested in your amendment would, in effect, permit this, from what I can see. In other words, they could go shipping on the basis of price, not only on the basis of unavailability.

Mr. DRURY: That is quite correct. I would like to point out that the purpose of this bill is to encourage research in Canada. I did point out that the way this bill was previously drafted, and is now drafted, would not allow assistance in providing physical facilities outside of Canada, which would mean encouragement of research being carried on outside of Canada. We want to avoid the bill authorizing this. As it was originally drafted, and as it now stands, grants will not be made for research carried on outside of Canada. The bill as drafted prior to amendment, however, would have had the effect, in certain instances, of not allowing research to be carried on in Canada because the necessary equipment could not be provided under the terms of the grant. This does make it possible for a man who is engaging in research to shop for his capital equipment either within Canada or without, and in this sense it is in no measure—and I do not think the bill should be designed to be—of protection for manufacturers in Canada of equipment of a scientific or any other nature.

Mr. SALTSMAN: I see what you are getting at, but I still have some doubts. If we made an expenditure in Canada, might it not be for consultant's services? It might not be for equipment alone.

Mr. DRURY: This is in relation to capital expenditures.

Mr. SALTSMAN: But it just says "expenditures". Could that be interpreted as the buying, let us say, of consultant's services?

Mr. DRURY: Are you discussing clause 2(3)(c) when you are talking about expenditures?

Mr. SALTSMAN: No; I am talking about clause 3 (1), the second line of which reads:

...by a corporation that has made expenditures in Canada...

It does not say anything about capital expenditures; it simply says "expenditures", and I am inferring that the expenditures would include all those things for which a grant would be made available.

Mr. DRURY: The same clause goes on to outline later the conditions under which expenditures will qualify; they will qualify either as capital expenditures or as current expenditures, and it is in this context that expenditures for consultants would not qualify.

The CHAIRMAN: May I ask a question of the Minister for clarification?

Mr. DRURY: Clause 5 on page 6 of the bill, Mr. Chairman, gives a definition of "current expenditures".

Mr. SALTSMAN: That still does not satisfy the question I raised because there is no specification here as to the kind of expenditures, and the assumption could be that "expenditures" include both current and capital.

Mr. DRURY: Yes.

Mr. SALTSMAN: It refers back to clause 3 on page 2.

Mr. DRURY: If one goes to the clause I mentioned earlier in the middle of page 2, clause 2(3)(c), it reads:

> A reference in this Act
>
> (c) to expenditures on for the scientific research and development, includes only expenditures incurred for and wholly attributable to the prosecution of or the provision of facilities for the prosecution of scientific research and development in Canada—

Expenditures incurred for the prosecution of scientific research outside Canada, in some other country, would not meet that definition.

Mr. SALTSMAN: I know, but that clause would seem to indicate that the research project itself has to be in Canada. We are not worried about that; we think you have made provision for the research project itself. But I am talking about the components of that research project which do not seem to be satisfied by the wording in subclause (c). One of these components might be capital equipment and another might be the buying of advice for research that is necessary for the main project in Canada.

I can appreciate your feelings about tariffs and your feeling that we do not want to incorporate any subsidization in this bill over and above whatever our tariff policy might be. But when it comes to research, in effect this whole bill is a subsidy program for research. It is not a tariff program but it certainly is a subsidy program.

Mr. DRURY: We want to encourage more research.

Mr. SALTSMAN: In this type of program should we not also be quite cognizant—since we have gone to this sort of protection—of the fact that scientific research also needs all those ancillary things besides the main project; that we should be encouraging management people, research people and consultants right within our own country and try to use them, even if it is somewhat uneconomical—and I would agree that it might be somewhat uneconomical. But it seems to be a violation of the basic principle to try to by-pass this bill just on

the basis of a cost economics sort of thing and say, "If we can pick up a research team to do part of this work in California it might be better to do it than with a higher priced group in Canada".

It seems that if we are going to have this kind of comprehensive scientific program and if we have made up our minds that we are prepared to do some subsidization, we should consider some form of protection within this bill to encourage the ancillary scientific activities that are needed for the central program.

Mr. DRURY: I suggest to you that this bill does, in fact, preclude grants made in respect of expenditures for research work done in a country other than Canada, and that you would not be able to secure a grant under this bill to pay for research work done by a team in California.

Mr. SALTSMAN: Scientific research being all-embracing—

Mr. DRURY: It does not mean "all-embracing" now. We have endeavoured to define scientific research so that it does not cover everything. But there is no question about it; if you pay a salary to an American who comes up here to work on scientific research, part of that salary is payment for research experience that he may have had previously in another country. So, in this sense, this bill is subsidizing research work in another country. There really is no way of following this through to the ultimate so that every idea, every germ, every cent is exclusively for Canadian cerebration. But in respect of the suggestion that you make, that because it might be more economical to buy your research from a team in California rather than from a team in Winnipeg, an attempt to buy either from a research team or from a corporation in the United States and to pay for the results of research work there or for research work to be done would not qualify under this act for a grant.

Mr. SALTSMAN: I am not certain about this. To come back to this, I would be happier to see it very clearly spelled out in this bill and as frequently as possible that these are expenditures to be made in Canada on the general principle that we are really going to encourage research in Canada, and then allow some discretion to whoever is in charge of this operation to permit exclusions. I feel we would have greater protection and there would be a greater scrutiny of the problem in this particular way, by having to come for specific exemptions where purchases or services have to come from another country. This would still leave the person in charge free to make this kind of a decision, rather than by striking out "in Canada", because I like to see that "in Canada" in every one of those clauses. I think this is really the purpose of the bill; to do everything we possibly can to encourage research in this country and all the ancillary matters that go with it.

Mr. DRURY: We then get into the perhaps undesirable position to some degree of running individual research projects in Canada, because with this discretion granted to the Minister to qualify for a grant for a specific purchase of a particular piece of equipment the Minister would first have to be satisfied that the equipment is needed, and this would mean an examination of the whole validity of the project, and then, secondly, that the Canadian alternative, if indeed there were one, was not satisfactory. This puts the government into the position of all the research programs.

Mr. SALTSMAN: It does not put them into the running of all the research programs but it certainly makes them very answerable when expenditures are made outside the country, which I think is the purpose of it. It puts the Minister in a difficult position, perhaps, but the Minister is quite capable of looking after himself.

The CHAIRMAN: Mr. Faulkner has a question, although the Chair was going to intervene in any event.

Mr. FAULKNER: I just want to support the position taken by the Minister and perhaps examine it from the point of view of leaving in this term "in Canada". I do not think that any of us are less enthusiastic about the Canadien dimension than Mr. Saltsman, but we are not dealing with a political statement of intention, we are dealing with a bill, we are dealing with a legal document, and it is within the framework of a legal document that our interests are best guaranteed.

I have experienced in my own riding cases of companies having a choice between a foreign product and a Canadian product and they have often found that the foreign product was a superior product. I think that is fair. I do not think that the Canadian manufacturer should be protected to the point where what is going on in the manufacturing world abroad just ceases to be relevant.

If we did leave "in Canada" in, is the legal interpretation such that it would preclude the purchase of scientific equipment outside the country?

Mr. DRURY: I am informed that is the legal interpretation.

Mr. FAULKNER: In other words, any company in my riding or any riding of the country that wanted to add to its research facilities, but could not find Canadian equipment to do the job, would be precluded from purchasing this equipment abroad and would not be eligible for a grant?

Mr. DRURY: That is right. They would not be eligible for a grant.

Mr. FAULKNER: It would seem to me, then, that this is a very intelligent amendment and one which I would think would meet with the approval of Canadian manufacturers.

Mr. CHAIRMAN: We could go on with this point for a considerable time. It is an important point. I would like to get the dichotomy of the matter before us so that we could discover whether or not—

Mr. SALTSMAN: I do not think there is any disagreement on the part of anyone that if the scientific research is going to be inhibited because this equipment is not available in Canada, that somewhere in this bill there should be a provision for even the purchase of service, if necessary, that are not available in Canada in order to further the work of the main project for which the grant is being given. The question is how do we do this?

It is my feeling that the suggestion that the Minister has put before the Committee is much too broad and would tend to not only take care of this problem but open the door for other things which I think would be somewhat less desirable. I would prefer to see the Minister put in a specific clause leaving it to ministerial discretion to make an exemption on this expenditure in Canada if the evidence before him indicates that that equipment or that service is not available or cannot be made available.

The CHAIRMAN: I would like to know if the Committee is clear on what we are discussing on this point. You agree with the reason that the Minister has given and Mr. Faulkner has stated for not limiting research by cutting them off from equipment, but you do not like the wording of this because you feel that you will, in fact, be opening the act to do more. Therefore, if the minister is able to point out to us that elsewhere in the act this situation is covered and that in fact he will only be able to do that which he says he needs to do then there ceases to be an issue. Is that correct?

Mr. SALTSMAN: I think the Minister has two objectives in mind. I think it is not only a question of making available equipment which is not here in Canada, I think it is also ensuring that the equipment that is bought is competitive in terms of world markets. As this is essentially a protection of skill, I think we need some clarification on it. I think this is one case in research where we have already moved into the area of protection and where we perhaps have to consider protection of Canadian scientific ancillary operations.

The CHAIRMAN: Then in that case you do not agree with the reason.

Mr. SALTSMAN: Well, as I say, there are two things involved.

The CHAIRMAN: I was not sure at one point whether you were agreeing with the reason but did not like the wording, or whether, you did not agree with the reason.

Mr. SALTSMAN: At first we thought the reason was only to purchase equipment not available in Canada. However, the Minister elaborated on this and I think the record will indicate that he made some statements regarding the ability of these companies to purchase competitively and that we should not be using this as a form of their intention.

The CHAIRMAN: Before the Minister continues, Mr. Legault has been trying—

Mr. LEGAULT: Mr. Chairman, I thought perhaps that subclause (2) of clause 3 would cover this point, when the discretion is left to the Minister to decide upon such a problem if it does arise. Although it deals with the benefit to Canada, it would also cover any of the items that would not necessitate a decision if they were ineligible or not, would it not?

Mr. DRURY: This is not the purpose of subclause (2).

Mr. LEGAULT: But it does give that discretion, does it not?

Mr. DRURY: I think perhaps one problem here is the slightly different approach to, if you like, the philosophy of government. The bill is designed to give the maximum freedom of initiative to those who engage in research, with a minimum of control and interference by the government, limited to the amount of supervision—if I can call it this—necessary to ensure that the money is spent in accordance with the purposes of the act. Any restrictive clause requiring the applicant to satisfy ministerial discretion tends to take that initiative away from the researchers and put it under the dead hand of government.

In respect to research, perhaps more than in most other fields, I think this is a most unfortunate approach and it is one reason why not only do I rather veer away from suggestions that we incorporate supplements in this act to the

protection afforded by the tariff, but I also rather dislike attempts to bring this under direct control of the government, and scrutiny of useful initiative by research teams, merely for the sake of scrutiny and the exercise of ministerial discretion. We do make it possible in this bill for necessary capital expenditures to be made outside of Canada if this is going to assist research in Canada. At the same time, we do not make it possible to financially assist the research as such which is carried on outside of Canada. The bill is designed to assist research, not to assist the manufacturers of research equipment.

The CHAIRMAN: Mr. Minister, perhaps you have answered this question that Mr. Saltsman has asked. If so, the nuance escaped me because Mr. Saltsman has said, in the first instance at any rate, that he agrees with the reason behind what you are trying to do, but he feels that by deleting the words "in Canada" you will be opening up the possibility of doing more than you suggested was your purpose. Is he right or is he wrong?

Mr. DRURY: I think that he may not have entirely understood all the words in the bill, not that he is wrong.

The CHAIRMAN: Is this the limit to what is opened up by this?

Mr. DRURY: I am persuaded this is the limit.

The CHAIRMAN: Clause 5 would deal with that. Is there any further discussion on this?

(*Translation*)

Mr. GOYER: Mr. Chairman. It is quite certain, Mr. Minister, that it would be blameworthy to move towards undue protectionism because, of course, that would also lead to an abusive control of industry by the State. It is also certain that it is very difficult to specify our intentions in the text of a bill where it would be stated that, necessarily, a priority belongs to Canada.

But I, also, would have liked the Bill to emphasize the intention of the Canadian Government to give a true priority which would not be contrary to the interests of research; to really give priority to Canadian industry to enable it to provide equipment for research to be conducted in Canada, because the basic argument is that when we do grant money for research, it is money we take from the citizens and distribute. So, it is of necessity money which should remain in Canada, on the other hand we also have to face other dangers which are for instance the snobbery shown by some Canadians whereby anything that is done in the United States is obviously superior to what is done in Canada. We are withdrawing into administrative conservatism and because certain equipment has never been manufactured in Canada and has always been provided by the United Stated industry, when Canadian industry finds the means to manufacture it, people are skeptical and leary because they think that the quality is lacking standards, are not consistent with market requirements, etc.

So I think we will have to find some kind of legal means of stating very clearly the determined intention on the part of our Government to try and give priority to the Canadian industry not only in regard to what exists but in regard to what is new and is produced in Canada, because if we don't do so, we will never be progressive and this will not benefit the Canadian industry.

So, therefore, I think that if it were possible, when the Bill is presented in the House, to state clearly the intention of the Government, I think it would reassure the Canadian industry and in addition, would oblige the administration to broaden their horizons and accept what is also new in Canada.

Mr. DRURY: Well this is the very task of the Department of Industry, this is the major task of the Department and it is done in several ways, especially, I suppose in the field of tariffs. We help Canadian manufacturers in the presentation of their products; that is the Design Council's function for instance. There are several ways of helping, but to interfere with Canadian industry by means of a bill such as this for the purpose of research, I think would be going too far, we would be just mixing up matters. Rather than encouraging Canadian research, we would be trying our manufacturers and the interests are not the same. The objective of this Bill is to fulfill the major ambitions to which you refer, that is to say, that if research and technological perfection become possible as a result of greater research in Canada, then the Canadian technology of our manufacturers will increase and they will succeed, I hope by these means in overcoming what has become American snobbery. But if, for instance, we try to find the means of protecting the manufacturing industry by this Bill, we will be going against the major objectives which are to extend technological research in Canada.

(*English*)

Mr. BOWER: Mr. Chairman, in view of the Minister's explanation I feel that there is still a loophole in this. I would like to think of the discussion we have had in two parts; capital cost and cost for expense purposes. I am inclined to agree with the Minister's explanation in so far as capital costs are concerned, but I am afraid there is a loophole on the grants for expense costs and I think there should be more control over that.

The thought occurred to me that companies in Canada which were subsidiaries of firms with headquarters abroad, foreign firms, could start under this wording as it is amended in the act, billing back to their affilates in Canada a certain portion of their research expense costs—

An hon. MEMBER: Incurred.

Mr. BOWER: I am differentiating between capital and expense. The word "expenditures" is broader, although I am using "costs", but the grants will be given for costs incurred. Now, company "X" in country "A" sends billing to its affiliate here for "X" millions of dollars, or hundreds of thousands of dollars, for research done in their plants in that country. I think that has to be very carefully controlled and that is what is bothering me in the wording of the bill as amended. In many ways I go along with it, but the idea of this bill is to encourage research in Canada. It is not a tariff bill. I go along with all that. I am simply reiterating my fear that there is a loophole on this phase of what I call expense costs for which grants presumably will be given. I am not satisfied that that loophole is plugged up. It is something that might be abused unless there is something in the bill that specifically sets out that that will be controlled by somebody, presumably the Minister of Industry.

Mr. DRURY: Mr. Chairman, Mr. Saltsman wanted to see the words "in Canada" or "Canada" appear frequently in the bill, and indeed they do. It certainly appears at least once in every major clause, and in the proposed

amendment we have removed the words "in Canada" in three places where they occur, but one place where it occurs, Mr. Bower, is in lines 9 and 10 on page 6, clause 5,

The aggregate of the current expenditures in Canada

We did not remove it for the very reasons that you have been discussing, and current expenditures—or what you refer to as expenses—made outside of Canada would not qualify.

The CO-CHAIRMAN (*Mr. Cashin*): Does that answer the question that has been raised of whether or not this goes further, because in one clause it is first of all capital expenditures specifically, and in the other it is current expenditures. It would seem to me that the objections that were raised were based primarily on the fact that it would go further than the Minister intended, with specific reference to current expenditures.

Does anybody else wish to comment on this? Mr. Peters, you indicated earlier you had a question. Do you still wish to ask it?

Mr. PETERS: I am confused about all the terms. It seems to me that we should be sure—and I am not sure of this—that with this bill we do not build up a pseudo-research arrangement in Canada. I would think what we are really interested in is building up a Canadian research force that will operate not only in specifics but will be a long term force. Surely this is the hope of the bill. I cannot see that there will be protection which will not allow some of the American companies to use their subsidiary companies in order to gain this tax rebate by doing a certain amount of their research in Canada and if necessary bringing in the people to do it, and in this way building up their research merely for the purpose of getting the benefits of this bill.

For instance, what is to stop the automobile manufacturers, who are doing less and less manufacturing in Canada, from concentrating their research here if we are going to subsidize them in this research for a purpose that is specifically designed for use outside Canada? I am also thinking, for instance, of the research project that is going to be undertaken by Shell Oil Company in Canada, which is an offshoot of research being done all across the world in commodity pipe lines. What is the end result of this bill going to be if it is used for those purposes?

Mr. DRURY: You mentioned that the automobile manufacturers are manufacturing less and less in Canada. I do not agree with this premise.

Mr. PETERS: Well, sir, I am not in the automobile industry. I just listen to what is said by other members. For example take the case of the research into automobile safety that one of the committees has had the opportunity of seeing, if this were transferred to Canada would this bill not pay for the use of that by all the automobile industry?

Mr. DRURY: In so far as research in this field is concerned, the answer would be yes. This would be research carried on in Canada presumably to meet Canadian needs. There have been a number of people who have urged the government that if nobody else will do this, the government will do this and pay for it itself and the results of this research will be made available to the world. There is no way we can limit to the knowledge of Canadians only the discoveries made by the National Research Council. It flies to the four corners of the earth. If

this research is undertaken by, the American-owned motor car companies and with the government of Canada paying only 25 per cent of the cost rather than 100 per cent, this would seem to be a useful expenditure of public money.

You ask what benefit the research being conducted into solids pipe lines by Shell Oil will be to Canada. This will first provide in Canada people and equipment who are skilled in advancing the frontiers of knowledge in this particular field and presumably, if Canadians are enterprising and interested, as I am sure they are, the fact of this work being done in Canada by people who are in the Canadian environment will mean that the Canadian entrepreneur will have more ready access to what is going on and what is being done—the fruits of this research—than an entrepreneur elsewhere. This will apply to small manufacturers of ancillary equipment, to small manufacturers of research equipment and to a whole lot of outflow.

Mr. PETERS: That is my point. If you remove the "in Canada" it will not be conducive to building up that small service trade or entrepreneur or the technical machinery necessary for the research in Canada. I would think we are allowing that to be purchased elsewhere. In the case of computers, for instance, it seems to me that if National Research did it and had the money that would be involved in this bill, National Research will have a computer that will probably serve all research in Canada. If you are going to do it under what appears to me to be the effect of this bill it would allow you to keep your computer at Columbia University, or wherever it is, and use this facility, because it is not really available in Canada, there is no equivalent. If you put the money in it the other way, the Research Council would have to purchase that equipment and then the entrepreneur in Canada could develop around that, could he not?

Mr. DRURY: Well, I do think that in the long run whatever arrangements are made must be efficient from an economical standpoint. Otherwise you are constructing a fool's paradise, and in the particular instance you mention the best way to proceed initially may well be to make use of a computer on a North American rather than on a Canadian basis until the needs of Canadian research grow to the point where the use of a Canadian computer is justified. This was, of course, the case in the government services where initially, rather than buying a computer for itself, the government bought computer services from an outside owner. When the government's need for computer work grew to a point where it was economical to own and operate its own, then it bought it. It would have been a mistake, I think, to try and organize things so that the government was prohibited from buying services outside merely for the sake of saying that the government should own its own computer. Let us help the computer industry, let us buy an extra one that is not really needed.

The CO-CHAIRMAN (*Mr. Cashin*): Are there any further questions? Mr. Andras.

Mr. ANDRAS: Just on this particular point of discussion, it seems to me that clause 2(c) on page 2 very clearly states the intention. The words are strong:

> for and wholly attributable to the prosecution of or the provision of facilities for the prosecution of scientific research and development in Canada.

What I am afraid is developing here is an attempt to over-inhibit this bill. As I understand it, we are launching in this bill something that is rather a new departure. I would much rather see the possibility of some small abuses of it, to open up the way and encourage industry to get into Canadian research, than to try to write everything into it so that it is locked up so much that people will just turn away from it. I think we are attempting to over-police it now.

My suggestion is that we accept that there might be a small portion of this benefit abused. There would still be a gain to Canada from it. When we get some experience of the use of this grant over a period of 2, 3, 4, or 5 years, and we see a tendency to abuse it, possibly along the lines suggested here, then, with the practical experience behind us, what is wrong with amending the bill to prevent that? Let us not be so tight now that we make it such a ponderous thing to tackle that most industry will ignore it. Leave it open now, as an experimental thing, and close the door after we know what door we are talking about.

An hon. MEMBER: Hear, hear.

Mr. ANDRAS: Within reason.

An hon. MEMBER: Carried.

The CHAIRMAN: If we are finished with the discussion, we can have a mover and a seconder of the amendment that subclause (1) of clause 3 be amended by striking out the words "in Canada" in line 33 on page 2.

Mr. ANDRAS: I so move.

Mr. FAULKNER: I will second that.

Some hon. MEMBERS: Carried.

The CHAIRMAN: Shall clause 3 as amended carry?

Mr. SALTSMAN: Would you hold on there, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. SALTSMAN: I would like to oppose that.

The CHAIRMAN: You are opposing the first question which was the amendment to clause 3?

Mr. SALTSMAN: Yes.

Amendment agreed to on division.

The CHAIRMAN: Now we have clause 3 as amended, and the Minister has another amendment.

Mr. DRURY: Yes, Mr. Chairman. This is very technical indeed. I think, perhaps, I might ask Mr. Reisman to explain the purpose of this amendment.

Mr. S. S. REISMAN (*Deputy Minister*): It has been suggested that clause 3 be amended by striking out subclause (2) thereof on page 2, and by substituting for subclause (2) the following new clause of which we have a certain number of copies here, which can be circulated. If you will permit me to read the proposed new subclause, it would be as follows—

The CHAIRMAN: It has been brought to my attention that there has been an unfortunate oversight, which I am sure the Department of Industry will correct in future, in that we do not have a copy of this amendment in French. Perhaps Mr. Goyer may be able to grasp it. I appreciate that he has legal training in his native language, and it may be that he will be able to get some assistance—

(*Translation*)

Mr. GOYER: No, I do not need any assistance. People seem to insist on working in one language. I have come here to work in both languages. In Québec, we say that we work in two languages in Ottawa and it will not be true if I am not given the opportunity of doing so. I hope that in future, care will be taken to give us a translation, because we do not work just on the basis of bla, bla, bla...

(*English*)

Mr. DRURY: We will see that these translations are obtained right away.

The CHAIRMAN: The Minister informs me that he is seeking to have the translation of this. In the meantime, Mr. Reisman will read it in English and give us an explanation of the matter.

Mr. REISMAN: Thank you, Mr. Chairman. The proposed new clause would read as follows:

> (2) No expenditure by a corporation in respect of scientific research and development shall be taken into account for the purposes of any provision of this Act unless the Minister, on the basis of such information as is submitted to him pursuant to this Act and such other information as he considers relevant, is satisfied that the scientific research and development in respect of which the expenditure was made is likely to result in benefit to Canada if it is successful, and, where the Minister is not so satisfied,
>
> (a) no amount paid to the corporation in respect of such scientific research and development, and
>
> (b) no property acquired by the corporation for the purposes of such scientific research and development,
>
> shall be taken into account for the purposes of any provision of this Act.

By way of explanation,

> This amendment is required to ensure that if an expenditure does not qualify as being in respect of scientific research and development likely to benefit Canada neither the expenditure nor any payment received in respect of such scientific research and development shall enter into any calculation for the purposes of determining eligible expenditures under the Act, nor shall any of the provisions of the Act apply to property acquired by virtue of the expenditure.

Now, this sounds very complicated, but let me explain in one or two sentences why an amendment is required.

Under this act, certain expenditures for research and development, if they are incurred but are not to the benefit of Canada, would not qualify for subsidy under the act. In making the total calculation of eligible expenditures those

particular expenditures would be deleted and there would be no subsidy paid in respect thereof.

Elsewhere in the act it is provided that if a firm obtains payment from another corporation for services rendered in respect of research and development those receipts shall be deducted from their total when we calculate a base for grant.

This proposed technical amendment simply says that if you have excluded the original expenditure, and you are not paying a subsidy in respect of the original expenditure, then any payment received from outside, in respect of that expenditure, shall not be deducted; otherwise you are penalizing the company.

All that this does is to provide symmetry and balance. If an expenditure is not included in the first place for a grant, then payments received in respect of it shall not be excluded; that is all it does.

It has required rather extensive language to give effect to that, on the advice of the Department of Justice and as drafted by them, but let me assure you that that is the sole purpose of this amendment—to provide symmetry and not to penalize the corporation.

The CHAIRMAN: Mr. Faulkner?

Mr. FAULKNER: Mr. Chairman, I just have two short questions on this clause as amended.

Is it the intention of the department, in the administration of this bill, that companies will get approval or disapproval of their proposed expenditures well in advance of making these expenditures?

Mr. DRURY: When you ask do they get approval of their expenditures, they will get approval in the sense that if they have made expenditures within certain parameters, they will qualify; and they will be given a yes or no on that. This does not mean that you will approve, in advance, expenditures which may not be in accordance with the parameters that they have suggested; it is approval of the parameters, not approval of the expenditures. Do I make myself clear?

Mr. FAULKNER: I would not say it is entirely clear, but that may be my fault.

Mr. DRURY: If a company comes along and says, "We are going to spend $100,000 to develop a certain idea in a certain way, and this is how I will go about it. Will we qualify?" the answer will be yes. Now, this is not approval of an expenditure of $100,000; it is approval of the expenditure of $100,000 in that way. If, in fact, they do not do it according to the parameter suggested, then the approval they get will not be approval of $100,000 cash outflow and, consequently, a $25,000 grant. Do you follow me?

Mr. FAULKNER: Yes; the point is that both the objective of the proposal and the parameter will be discussed with your officials.

Mr. DRURY: That is correct.

Mr. FAULKNER: Therefore, there should be no problem about a company's coming before your departmental officials with a proposal, both on objective and on means, getting a fairly clear-cut answer on whether it is qualified for grants or not.

Mr. DRURY: We intend to do this.

Mr. FAULKNER: That is fine. My other question may have been asked previously. If it has you can tell me and I will look it up in the minutes.

Did we at any point discuss what was meant by the term "likely to benefit Canada" and how you interpret it? Did we do that?

Mr. DRURY: We did.

Mr. FAULKNER: I will look it up.

Mr. SALTSMAN: This is just a plea for an explanation of your explanation.

Mr. DRURY: We have another man who does that.

Mr. SALTSMAN: Could you give me some concrete example of how this amendment would apply, and what it is designed to correct? I am afraid I did not follow the exact reason for this amendment. Is it perhaps some company activity that this amendment is designed to correct?

Mr. DRURY: The company, in its accounts, under the heading of research department, will show the total of moneys paid out. Part of that money paid out may be moneys paid to it by another corporation. Now, by way of example, company "A" is engaged in a research program in respect of development of polymer and it has its own research program; and the budget, if you like, of the research department is made up of moneys received from the general funds of corporation "A" but they are also executing a contract from corporation "B" to do a specific bit of research in their laboratories in relation to one facet of polymers. Corporation "B" has spent money in Canada to have research done for its ends, and qualifies for a grant. We do not want the moneys put out in getting grant assistance by corporation "B", and paid to corporation "A", also to qualify for the grant; so that moneys received by corporation "A" for research done on behalf of corporation "B" do not qualify for grant purposes in the hands of corporation "A".

The way this was originally drafted it was possible that part of the expenditures by corporation "A" would not be deemed to conform to the act, and those expenses would be ruled out. Before this proposed amendment, however, it did not also rule out, on the other side of the equation, money received for bona fide research from corporation "B". The purpose is that if you take it out of one side you also take it out of the other. That is all. The lawyers managed to make it almost incomprehensible.

The CHAIRMAN: They succeeded in obscuring the true reason as much as possible, so as to perpetuate the system whereby we lawyers have been able to make a good living for quite a period of time!

An hon. MEMBER: And will continue to do so.

The CHAIRMAN: Yes. I am giving a speech on legal care before Mr. Saltsman does, because I know some of the insides.

If we have finished our discussion, it is in order that we have a mover and a seconder for this amendment.

Mr. REID: I so move.

Mr. LEGAULT: I will second that.

The CHAIRMAN: Does the amendment carry?

Amendment agreed to.

Clause 3 as amended agreed to.

On clause 4—*Amount of grant.*

The CHAIRMAN: There is also a proposed amendment to clause 4.

Mr. HOPKINS: I move that clause 4 be amended by striking out the words "in Canada" in lines 35 and 36 on page 3.

Mr. REID: I second the motion.

The CHAIRMAN: Does the amendment carry?

Amendment agreed to on division.

The CHAIRMAN: There is also an amendment that in clause 4(2) the words "in Canada" in lines 1 and 2 on page 4 be struck out.

Mr. REID: I so move.

Mr. FAULKNER: I second the motion.

The CHAIRMAN: Does the amendment carry?

Amendment agreed to on division.

The CHAIRMAN: Shall clause 4 as amended carry?

Mr. SALTSMAN: No; I would like to raise a question.

I do not know whether this is the appropriate clause on which to do so, but I would like to continue with a question I had previously on this matter of seeing whether we could not provide an additional incentive, especially to smaller groups and to associations, to do joint research and for—a higher incentive than the 25 percent offered in this bill to be directed to universities, colleges, research institutes and approved associations.

I make the suggestion in view of the fact that there are many small companies and associations in Canada, which do not have research facilities of their own, which, might be encouraged to get small research facilities of their own, and this is really not the best way of doing this kind of work in this country. I feel that we should make an effort, because of the nature of our industry in Canada, to encourage research in central bodies such as universities and government research centres.

I asked the Minister on the last occasion if he would consider this. I have considered it since that time and I find that my opinion regarding this is somewhat strengthened and I would like to see inserted in clause 4(1) where it says:

> A grant authorized by the Minister.....shall be an amount equal to 25 per cent....

or, after that, wording to the effect:

> ...or in the case of research carried out by an approved association, university, college, research institute or other similar institute...

—This is a definition that comes from clause 5(1) (a)(ii)(A)—where the amount shall be 50 per cent.

I think we have to encourage this kind of joint and institutional research in Canada.

Mr. DRURY: This will just be an invitation to companies like Du Pont to disestablish their own laboratory and organize the same laboratory with the people doing the same work on a university campus, and getting double the grant.

Mr. SALTSMAN: In the long run this might be very good for Canada. I will have no regrets if our research changes in this way.

Mr. DRURY: It might be; I am not quite prepared to say it would not be. I would, however at the moment, be a little cautious about saying that we should jump up to 50 per cent, because it is done on some kind of a collective basis.

I might say that the point you make is a very valid one in that a number of small firms have not wanted, or been able, to engage in research on their own because there is a certain minimum of effort and resources required for research of this character to be productive at all, and small firms obviously cannot afford this kind of operation.

As a department, we have been looking at this problem and have felt that this act will enable us—indeed, successful steps have been taken in relation to the furniture industry—to persuade small firms to associate in joint research, and they are happy that with these provisions they will be able to do it.

We also have a further experiment, if you like, in the direction you suggested, in relation to the University of Windsor. Here a grant is being made to enable the University of Windsor to establish an institute the purpose of which will be to propagate technology in industry which is really geographically associated with the University of Windsor and to do research work on behalf of smaller firms in Windsor. It is the hope that if this act is passed, and we are able successfully to organize the direct financial assistance that we are providing to it, that, given this act, and if you like, initial financial assistance—not continuing financial assistance—this will become self-supporting.

This, I think, is perhaps at least as constructive an approach and as likely to lead in the long run to a more economical use of resources generally as the suggestion you made to provide continuing assistance. We do not know whether this will work or not. We are trying to find out if it will.

Mr. SALTSMAN: I am very pleased with some of the things you have said. Perhaps 50 per cent is too high; there is no question about that. I put it in as an indication of my concern about this particular problem, or my personal willingness, at any rate, to spend considerable sums of money on research, if necessary.

I would, however, still like to see, even if it is only small, such a differential established within the provisions of this bill as would give us an opportunity to see whether this kind of incentive does work in the way I would hope it might.

Mr. ANDRAS: Mr. Chairman, I have a supplementary question for clarification of the point raised by Mr. Saltsman.

Is there anything in this bill that would prevent a small company going to a university, or other academic- or research-oriented institution, and saying that

they would like them to do this research on their behalf, within the terms and definition of "scientific research" that we had the other day? They could say that they would put up 75 per cent of the cost, and that the government, if it approved, would put up the other 25 per cent.

What I am really saying is that there might be no research facilities whatsoever within the small company, but they are engaging a Canadian university or other such organization or association or group of people to provide that service. Is this eligible?

Mr. REISMAN: This is certainly eligible.

I would like to make a comment, sir, in connection with the reference to the help given to the University of Windsor to set up a research institute which will enable them to give service to small industries in their community. I should point out, sir, that in our departmental budget we have provided for a sum of money to extend to other universities the same approach that was used in the case of the University of Windsor. We have been approached by, and have had discussions with, three other universities, and we have the wherewithall in our budget, if we can come to a satisfactory arrangement, to extend that system.

This is in line with the suggestion made by Mr. Saltsman that resources should be used for the purpose of encouraging smaller enterprises, either singly or in combination, to make use of universities and other institutions to help them do work which they themselves cannot afford to do.

This is very much an objective of the department, and we are pushing ahead on that, sir, as quickly as we can.

Mr. GOYER: Can we have the names of those three universities?

Mr. REISMAN: Of the universities in question, one is in Nova Scotia and the others are in Ontario; but we are prepared to receive applications and requests from universities right across the country.

Mr. ANDRAS: Mr. Chairman, I do not want to take too much of the time of the Committee, but an interesting thought has just occurred to me.

In my area around northwestern Ontario there is a desire for forest products research to be done at the Lakehead University. Would it fit within the bill if five or six, or three or four, such forest products companies, or corporations, joined together and went to the Lakehead University and said, "This is the general type of forest products utilization research that we would like you to do. We will each put up 25 per cent of the cost and there will be 25 per cent of the total cost coming from the government if you will do it." Can they band together like that and be eligible under this act?

Mr. REISMAN: Most certainly, yes.

Mr. ANDRAS: In other words, the word "corporation" here is not too confining?

Mr. REISMAN: No.

Mr. ANDRAS: Technically would they have to set up a holding company of some kind to do it? Would they have to go through those machinations?

Mr. REISMAN: No, they would not at all. Twenty-five per cent of each company's contribution would be funded to that company under this bill.

Mr. ANDRAS: Yes; but they would have to go through some subordinate or subsequent—

Mr. REISMAN: No. To use figures, if a research program involving an annual expenditure of $100,000 were contemplated that is what would be paid to the university. Each company would put up $25,000 direct to the university, which they could do either jointly or individually. Each of those three companies would get a grant from the government of 25 per cent of their $25,000, with the total adding up to $100,000. There is no necessity to form intermediate companies.

Mr. ANDRAS: I am being very technical, but suppose the Canadian Forestry Association desired to do this, as opposed to an individual corporation?

Mr. DRURY: The Canadian Forestry Association is a non-profit organization, and non-profit organizations, as such, do not qualify for grants. The Canadian Forestry Association could not do this out of its revenues. It could be the vehicle for doing it but the money would have to come for this specific purpose from the companies financing the association. Do you follow me?

Mr. ANDRAS: Yes.

The CHAIRMAN: Are there any further questions on Clause 4?

Clause 4 agreed to.

Mr. REISMAN: I wonder Mr. Chairman if I might correct a comment I made a moment ago naming the universities with whom we are having consultations for this program. I am told that we are also having very active consultations with the University of Sherbrooke in Quebec for this same purpose.

On Clause 5—*Eligible current expenditures.*

Mr. SALTSMAN: Have you given any consideration to the kind of organization Mr. Andras was talking about, a non-profit organization. I presume they would come into this clause. Have any amendments been made to see that non-profit organizations like the forestry association would be eligible. Why do we have to insist that they all be profit corporations?

Mr. DRURY: Not profit, but taxable.

Mr. SALTSMAN: Well, taxable. Why do we have to insist on this. Does this mean if they are non-profit they are excluded from one of the benefits because one of the benefits relates to taxation. Why should they not have the 25 per cent grant if they are non-taxable?

Mr. DRURY: Well, I suppose really the reason for this is one can be assured that in computing the amount of the grants, which means some kind of an audit of expenditures in the taxable corporation, this audit is carried out by the Department of National Revenue, or on behalf of, or there is the right to carry out such an audit. In the case of non-taxable corporations, there is no audit done or required for governmental purposes.

Mr. SALTSMAN: Oh, it is a book keeping problem rather than a problem of principle then, is that correct?

Mr. REISMAN: Well, sir, the basic purpose of the act is to provide general incentives to industry with the expansion of scientific research and development in Canada with respect to their business activity, their industrial operations and non-taxable institutions. They do not exploit research and development results for industrial or manufacturing purposes. They are not manufacturing or industrial institutions. They remain in the framework of the intent of this law.

Mr. SALTSMAN: Then they may represent a very large group, a very small company, that may only be able to act this way. I presume that the trend in Canada will be to encourage the formation of business associations of this type.

Mr. DRURY: Well, one problem that your suggestion raises right away is that all research work done by universities should then qualify for this grant.

Mr. SALTSMAN: Well, not necessarily. I think—

Mr. DRURY: Well, if not necessarily at least allowing non-taxable organizations to qualify, would bring about that result. Therefore you limit the non-taxable organizations to some group, and because of the great variety of industrial associations, some are very highly organized, others are loose, so there is hardly an association at all. Now, if you get into this field you are just asking for problems and troubles. It is much easier to do, as we are doing in the furniture industry, to have the individual firms understand what they can do collectively and how to get a grant rather than to try and be prepared to audit or scrutinize the books of account of non-profit organizations.

Mr. SALTSMAN: Well, would it not be easier, if we take a furniture industry, to have them working through an association. I understand there are 1,200 companies of this kind in Canada. To try to acknowledge the 1,200 companies and try to persuade them to take joint action for the benefit of the industry is a pretty difficult problem, at least, for the association. I presume your department will look into this matter to see if something can be done, because I would like to see some kind of organization, without going into the exact problem of all the other organizations. There should be some kind of organization qualified under the provisions of this legislation because I think it would be very beneficial.

Mr. DRURY: Well, I hope we are no less interested than members of the Committee are in expanding and enlarging research in Canada. If this looks like a useful avenue, we will try and devise means of accomplishing the purpose without laying ourselves open to abuse. This is something we will look into.

Mr. PETERS: May I ask you, sir, is there a duplication in what Mr. Saltsman is talking about and what the National Research Council are doing for the Allied Building Councils, for instance? They must be assessed in some way for research that the whole division of the National Research Council does on their behalf.

Mr. DRURY: I am not too sure. There may be some work done by the National Research Council on a contract basis for the Allied Building Council. This is what you are referring to, I take it.

Mr. PETERS: We went through there and they showed us a whole section that was directed toward home building problems.

Mr. DRURY: Well, almost all of that is financed 100 per cent out of the budget of the National Research Council.

Mr. PETERS: There is no assessment.

Mr. DRURY: No.

The CHAIRMAN: Any further questions on Clause 5?

Mr. REID: The definition given for eligibility was that the company has to be a taxpayer. What about companies which are still struggling and not taxpayers, but taxable.

Mr. DRURY: They are all the same, approximately.

Mr. REID: Would that include the fact that a company might have tax losses, or may be struggling through a—

Mr. DRURY: Taxable does not mean taxpayer.

The CHAIRMAN: Any further questions on Clause 5?

Clause agreed to.

On clause 6—*Base period.*

The CHAIRMAN: I do not want to rush you here; you may have some questions but shall clause 6 carry?

Clause agreed to.

Clauses 7 to 13 inclusive carried.

On Clause 14—*Regulations.*

The CHAIRMAN: I understand that the Minister has some amendments.

Mr. DRURY: This is rather a simple one Mr. Chairman. Subclause (h) of clause 14 reads:

> prescribing, notwithstanding section 5, the circumstances and manner in which the eligible current expenditures of a corporation shall be determined only from information submitted to the Minister of National Revenue—

Now, this limits the source of information, in determining eligiblity, to that in the hands of the Minister of National Revenue, and information of other sources cannot be taken into account. I think perhaps this was unduly limited, and we would prefer not to limit the determination to just this particular information only. As a consequence, the suggestion is that (h) be struck out and the following words substituted:

> prescribing, notwithstanding section 5, the circumstances and manner in which information submitted to the Minister of National Revenue for the purposes of section 72 or 72A of the Income Tax Act, may, or shall be used, in determining the eligible current expenditures of a corporation.

This means that instead of the regulation prescribing that only this information shall be used, the new paragraph will provide that the regulation shall

determine, or it shall be determined by regulation, how and in what manner information obtained from the Minister of National Revenue shall be used.

The CHAIRMAN: Is there a proposer for this amendment? Mr. Reid proposes; Mr. Hopkins seconds. Are you ready for the question—

Mr. SALTSMAN: Why was it felt necessary to do this, beyond the statement that it was unduly restrictive? Why is it necessary to bring in this amendment to replace (h).

Mr. DRURY: The old wording limited the determinations of eligibility to information obtained from the Minister of National Revenue. Now, there can be cases where a corporation, for one reason or another, does not file income tax returns. They may not be taxable. If they do not have to pay taxes, by reason of a loss provision, some do not file income tax returns. So the consequence is, in respect of this corporation, you have no information at all. The Minister of National Revenue says, I have no information, and this prescribes that the only source to which we can look for any light on the subject is what the Minister of National Revenue happens to have in his hand.

Mr. SALTSMAN: Could they still not make this information available to the Minister of National Revenue, anyway?

Mr. DRURY: They could.

Mr. SALTSMAN: If they wanted the grant they could make that information available to the Minister of National revenue. I would like to see these things left in that department.

Mr. REISMAN: Let me give you a specific example of a problem which came up, which led us to propose this amendment. We have the case of a corporation which, under section 72A of the Income Tax Act, applied for the benefits of that Act for conducting research and development work. It will be recalled that under the income tax incentive, no distinction was made between capital and current expenditures. The grant was paid on the basis of incrementality, lumping together current and capital expenditures. Now, we have the case of a firm, which when they submitted their information to the Department of National Revenue for purposes of obtaining the benefits, did not separate these expenditures, current and capital, because it would not have made any difference. They now find that if the information which they submitted to National Revenue, which did not make that distinction, is the only information which the Department of Industry is allowed to use under this Act, then they will be penalized by virtue of not having made the distinction between current and capital. What this means is that the Department of Industry may now obtain evidence from that corporation in respect of what their expenditures were in their base year, so that they will be obtaining a grant in accordance with the intent, and provisions of this legislation, and not be inhibited by an earlier set of incomplete information that they had submitted to National Revenue. So that all that this does is allow us to take into account everything that National Revenue knows, plus any oher information that we obtain, directly from the firm, properly verified and properly documented. It seemed like a sensible and reasonable thing to do and this is why we are making this proposal.

The CHAIRMAN: If I may do something that is not usually done by members of my profession, namely, give legal advice, if I recall—and it is a very vague recollection—my enlightened course in legislation, it always seemed that is was better to place things positively then negatively. This remark is made just to show you that we lawyers are not such bad fellows after all.

An hon. MEMBER: I have always understood that when a lawyer gives free advice it is not worth very much.

Amendment agreed to.

Clause, as amended, agreed to.

Clauses 15 to 17, inclusive, agreed to.

On Clause 18—*Minister may obtain advice.*

Mr. PETERS: Will this provision allow only the Minister to obtain the information for the purposes of this legislation?

Mr. DRURY: That is correct.

Clause agreed to.

Clause 19 agreed to.

The CHAIRMAN: Shall I report the bill as amended?

Some hon. MEMBERS: Agreed.

Mr. PETERS: May I suggest to the Chairman that this bill be reprinted in its amended form before it is reported to the House, otherwise we will get into the same difficulty we were in with some of the other bills.

The CHAIRMAN: We can report the bill as amended.

Mr. PETERS: Then all the amendments will have to be re-introduced in the House.

The CHAIRMAN: No, I think we can report it as amended.

Mr. REID: In the transportation committee all the amendments that we passed were reprinted and they were accepted. Mr. Pickersgill has since introduced a new amendment.

The CHAIRMAN: I think it is all done in one fell swoop.

Mr. REID: And this can be done.

Mr. PETERS: As the Clerk will remember, this question was raised over one of the other bills that was amended in Committee, and either the amendments are introduced in the House or the bill is printed as amended.

Mr. REID: Yes, it has to be reprinted as amended.

The CHAIRMAN: Shall I report the bill as amended?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: We have concluded our deliberations with regard to Bill No. C-252. I thank the Minister and his officials for their co-operation and I thank

members for their participation in the discussion. Before we adjourn I remind you that we still have a few matters to finish with regard to area development. We are having a problem in getting suitable times and space to hold our meetings, so I think that it will probably be a couple of weeks before we can schedule a series of meetings for this purpose in view of the present workload of the committees. However, prior to that I will be in touch with representatives of the various parties on the Committee, Mr. Bower, Mr. Peters and Mr. Saltsman.

If there is no further business, we stand adjourned to the call of the Chair.

Government
Publications

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966-67

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. RICHARD CASHIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 15

THURSDAY, MARCH 2, 1967

Respecting
The subject-matter of the designated area programme and the criteria thereunder.

WITNESSES:

From the Designated Area Committee of Mount Forest, Ontario: Messrs. Harry Bridle, Chairman; Ross McLellan, Secretary; Dan Murphy, Goderich; E. B. McInnes, Hanover; H. F. Noonan, Clinton; Dave Kilberg, Listowel; William Irwin, Palmerston; Arnold Patterson, Orangeville and C. Schmaltz, Walkerton.

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STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Richard Cashin

Vice-Chairman: Mr. Ovide Laflamme
and

Mr. Addison,	Mr. Fulton,	Mr. McCutcheon,
Mr. Andras,	Mr. Goyer,	Mr. O'Keefe,
Mr. Beaulieu,	Mr. Fulton,	Mr. Peters,
Mr. Bower,	Mr. Grafftey,	Mr. Reid,
Mr. Chatwood,	Mr. Hales,	Mr. Saltsman,
Mr. Davis,	Mr. Hopkins,	Mr. Scott,
Mr. Faulkner,	Mr. Latulippe,	(*Victoria, (Ont.)*),
Mr. Forest,	Mr. Legault,	Mr. Sherman—(24).

(Quorum 9)

D. E. Levesque,
Clerk of the Committee.

Messrs. Wahn, Whelan and Lind replaced Messrs. Addison, Andras and Hopkins on March 1, 1967.

ORDERS OF REFERENCE

WEDNESDAY, March 1, 1967.

Ordered,—That the names of Messrs. Wahn, Whelan and Lind be substituted for those of Messrs. Addison, Andras and Hopkins on the Standing Committee on Industry, Research and Energy Development.

Attest.

LÉON-J. RAYMOND.
The Clerk of the House of Commons

25297—1½

MINUTES OF PROCEEDINGS

THURSDAY, March 2, 1967.
(18)

The Standing Committee on Industry, Research and Energy Development met this day at 9.40 o'clock a.m. The Chairman, Mr. Cashin, presided.

Members present: Messrs. Bower, Cashin, Davis, Faulkner, Hales, Lind, Peters, Reid, Saltsman and Whelan. (10)

Also present: Messrs. Eric Winkler, M.P., Elwood Madill, M.P., and R.E. McKinley, M.P.

In attendance: Messrs. Harry Bridle, Chairman of Designated Area Committee of Mount Forest; Ross McLellan, Secretary of the Committee; Arnold Patterson, Mayor of Orangeville; Connie Broderick, Melancthon; Arnold Burnside, Amaranth; Eldon Marshall, Dufferin County; C. Schmaltz, Walkerton; E.B. McInnes, Hanover; Dan Murphy, Goderich; Walter Keifer, Drayton; Dave Kilberg, Listowel; William Irwin, Palmerston; George Bridge, Palmerston; George Joint, Lucknow; John Livermore, Clinton; H. F. Noonan, Clinton; Cam Proctor, Walkerton; Gordon Haase, Senior Economist, Department of Industry; S.E. Chernick and T.K. Shoyama, Economic Council of Canada.

The Committee resumed consideration of the subject-matter of the designated areas and the criteria thereunder.

The Chairman introduced Messrs. Bridle, McLellan and Murphy and asked Mr. McLellan to introduce the other delegates.

Mr. McLellan read the delegation's brief and the Committee proceeded to the questioning of the witnesses.

It was *agreed*,—That the brief, tables and graph be appended to this day's evidence. (*See Appendix 7*)

At 12.40 o'clock p.m., the examination of the witnesses being concluded, the Chairman thanked them for their well presented brief, and adjourned the Committee to call of the Chair.

D. E. Levesque,
Clerk of the Committee.

EVIDENCE

(*Recorded by Electronic Apparatus*)

THURSDAY, March 2, 1967.

The CHAIRMAN: Gentlemen, I will call the meeting to order. We are pleased to have with us today the first group from outside who have come to make representations before us. We have a group here from western Ontario covering the 4 counties of Bruce, Wellington, Huron and Dufferin. They have prepared a brief which I believe they have distributed. It is not a very long brief. The secretary of their development association, Mr. Ross McLellan, will read the brief and then the other two gentlemen will make some comment on it. Before that, I am going to ask Mr. McLellan to introduce the representatives of the various towns in that area who have come from western Ontario to be with us this morning. Mr. McLellan, will you do that? As he calls your name, please stand so that the Committee can get a look at somebody from western Ontario.

Mr. Ross MCLELLAN (*Mount Forest*): Thank you, Mr. Chairman. The towns and their representatives are: Walkerton, Clarence Schmaltz and Ted McCannel; Hanover, E. B. McInnes; Orangeville, Arnold Patterson; Dufferin County, Warden Eldon Marshall; Armaranth Township, Arnold Burnside; Melancthon Township, Connie Broderick; Clinton, John Livermore, H. F. Noonan and Cam. Proctor—they are trying to use pressure or something; they have a heavy delegation; Lucknow, George Joint; Palmerston, William Irwin and George Bridge; Listowel, Dave Kilberg, the only representative from Confederation; Drayton, Walter Keifer; Goderich, Dan Murphy; Mount Forest, our Chairman, Harry Bridle, and myself.

Now gentlemen, this originated in December of 1965. The original resolution was passed by the town council of the town of Mount Forest. I will read it to you, sir:

> Whereas the present method of providing assistance to certain municipalities by means of designated areas of slow growth has created advantages to such municipalities in preference to neighbouring municipalities where similar or, in many cases, more serious problems of growth exist, and whereas it is felt that if assistance in its present form is considered to be necessary and if it is to be rendered on an impartial basis, now therefore be it resolved that in designated areas of slow growth it is recommended that total areas as opposed to individual municipalities be so designated, and that all municipalities in such an area shall be entitled to the same type of assistance, and in particular that the area extending from Goderich to Orangeville lying north of Provincial Highway No. 9 and extending to Georgian Bay be so designated.

Now, that was passed by the council and endorsed by 47 municipalities, and I believe you all have a copy of it. You know the names the municipalities, and they say—

Mr. HALES: I do not seem to be able to follow that resolution.

An hon. MEMBER: It is at the back.

Mr. McLellan: This was the original resolution. You will notice highway No. 9 going west from Orangeville; we carried it straight through to Goderich. At our first meeting, which was endorsed by the 47 municipalities, that line was carried west from Orangeville to Arthur, and then it swung south west, as you will notice on the map, and came out just to the north of Sarnia. That is the difference from the original resolution and the area we represent today. I may say this brief was presented to Mr. Drury back in November.

When the federal government introduced designated area legislation to relieve the ills of unemployment it did so after much research and study. The diagnosis was thorough as far as the available statistics were concerned. The case parallels a doctor's diagnosis of a patient, but there the similarity ends. The doctor, with the interest of his patient at heart, prescribed limited doses of a prescription to restore the patient to health and well-being. The prescription is limited and is to be repeated only if necessary. An overdose could be fatal. Designated Area Legislation could work in the same manner. An overdose of the remedial effects of this legislation can reverse the cure and create new problems, almost as great as the original one of unemployment. The Owen Sound NES Area could be cited as an example. On July 31, 1965, there were 748 persons registered for employment, 407 males and 341 females. As a result of the benefits of designation 1,575 industrial job opportunities have been provided. As well, 1,842 service workers will be required, bringing the number of jobs to 3,417. There is a blur on my second figure; I could be wrong on service workers, but the total, anyhow, is quite plain—3,417. The resulting condition has required the Owen Sound, NES office to advertise out of its area for workers even though some of the proposed plants are still on the drawing board.

When the number of job opportunities created far outstrips the manpower available, workers are in a position to sell themselves to the highest bidder, a condition constituting a direct inflationary threat. This condition also leads to relocation of the work force, but if a "ceiling" should be placed on the conditions under which an area remains designated, there would be fewer necessities for the Department of Manpower to move people.

The petitioners present the following suggestion which they believe would spread the already-proven benefits of Designated Area Legislation to other problem areas of Canada. It is recommended that when an area is designated according to the present formula based on percentage of registered unemployed, that the area remain designated until job opportunities created by incoming industry are equal to 90 per cent of the registered unemployed at the time of designation. It is recommended that the Minister then de-designate the area and make benefits available to those National Employment Service areas next in line by reason of their unemployment.

Ontario government statistics point out that for every 100 industrial workers gained by an area, 117 additional workers were required in the area to service them. The non-industrial positions created would more than make up for the 10 per cent not covered by industrial opportunities. It is the belief of the submitting municipalities that slow growth which characterizes this area is further aggravated by its proximity to the designated area. This slow growth has resulted in average per capita earnings and average family incomes far below the national average. The problem is a national one and one requiring national remedial action.

Unemployment statistics do not reveal the true industrial plight of this area; do not show the grave need for inducing industry to the region just to keep conditions from

deteriorating further, let alone bring the area's economy in line with the national average. A large proportion of persons native to the area are forced to go elsewhere to secure employment so that a disproportionate percentage of residents of the area are of student or post-employment age and, as such, are not registered for employment. The low proportion of industry in the area results in low municipal assessments. This places an increased burden on property owners required to maintain municipal tax rates, a burden that is particularly onerous on older, retired property owners on fixed income.

Increasing costs of education are a problem to all levels of government, but for these slow-growth areas are particularly burdensome. Elementary and secondary education must be provided for a large proportion of the population, making education costs proportionately higher than in areas of average industrialization. On completion of schooling a large percentage of community members must leave the area to secure employment. The educational costs problem is then aggravated as the municipalities have tax revenues from neither the industries which the municipal education prepared the worker for nor from the residences they would require if employed at home.

Because of the dearth of industry in the area, municipal financing has become a frustrating circle and like from a stone dropped into water, the expanding circles detrimentally involve other economic facets of community life. Lack of industrial assessment to share the tax loads results in increasing taxation on business assessment which must result in higher prices to the consumer. This means an added burden to the householder who already is paying a larger proportion of municipal taxes because of the lack of industrial assessment.

The submitting municipalities believe that many of the dire financial problems of their residents could be resolved if their industrial development were to approach that of the national average. They request incorporation in the Designated Area program as a means to bring the area's economy to standards enjoyed by the rest of the nation.

You will notice we have a list of the 47 municipalities attached to the brief and I will not say anything further. We have another excerpt about the map at the back, but I believe one of the later speakers is going to expand on that portion of it. That is all Mr. Chairman.

The CHAIRMAN: Thank you very much, Mr. McLellan. Mr. Bridle has something to say to us now.

Mr. Harry BRIDLE (*Mount Forest*): Mr. Chairman and members of the Committee, we are here today representing 47 municipalities located in western Ontario as shown on the map attached to the brief, to present to you, Mr. Chairman, and your committee, our concern that this area has been entirely overlooked in past and present legislation to alleviate slow growth and low worker income. The present legislation uses high unemployment, mainly, as the criterion. This led to such places as Owen Sound, Collingwood, Penetang and Midland as NES areas to the north of us being included in the designated area program for assistance to industries locating in this area which has led to great upsurge in industrial activity there. Gentlemen, we submit this has been unfair to the municipalities we represent here today. Being bounded on the south by the golden horseshoe and to the north by designated areas—which, by the way, were designated solely by high seasonal unemployment of sailors in the winter months—has put us in a most unfavourable position, inasmuch as any industry wishing to locate or relocate looks only to designated areas because of the monetary considerations involved.

As you can see by the attached population trend, this area has suffered an overall population loss in the last 60 years. We have had a very minor increase in the towns, and approximately 45 per cent decrease in the township, which has been to the detriment of commercial enterprises located there.

In addition to all this, the lack of industry in this area has led to the loss of our young people who must move away to find adequate jobs. Every year 90 to 95 per cent of our high school graduates move away to the cities because we have not the opportunities to offer them. This means that we pay the high cost to educate them and then they are lost to us. This, gentlemen, is of great concern to us as elected representatives who would like to see our people enjoy some of the growth and higher incomes now being experienced in other parts of Canada.

As you can see by the attached worker income tables, our area is plagued by a very low income rate, but if we could attract some industry to this area, it would work to the benefit of everyone living there. So we humbly ask you, Mr. Chairman, and your Committee, when and if the designated area legislation comes up for review or your Committee makes any recommendation to the government, to keep in mind this part of western Ontario and we earnestly hope something will be done to help us to attract badly needed industry so that our people can join in the good life enjoyed by many other parts of Canada, all of which, gentlemen, is respectfully submitted.

The CHAIRMAN: Thank you, Mr. Bridle.

Mr. Dan MURPHY (*Goderich*): Gentlemen, my name is Dan Murphy and to introduce myself a bit more fully, I will say I was born in Mount Forest, Ontario, the municipality that instigated this committee and where and our chairman and secretary reside, and I practise law in the town of Goderich which, with a population of slightly less that 7,000 people, is the largest municipality represented in the 40 some municipalities here today.

I hope that I do not cover any of the material covered by either Mr. McLellan or Mr. Bridle. I do want to review in a general way the problem that exists in this area. I think it is probably obvious to most of the members, but I do want to cover that briefly. I might say that I am familiar with the problems of changing or amending this type of legislation. I am familiar with the problems of the federal jurisdiction and provincial jurisdiction; the problem of who is responsible for economic growth, whether it is provincial or federal, or who is responsible for industrial promotion.

First of all, if I could give you some background, the town of Goderich—and really what I am speaking about affects the whole area, but I know that town better—is very fortunate in that it does have industry. It is not like many of the municipalities affected here that have lost some of their natural industries, furniture, feed, and things like that. We do have industry in the town of Goderich. Last fall we celebrated the 100th anniversary of the finding of salt, and as I said when we spoke to the Minister, I hope we all do not get sent back to the salt mines after this hearing today. But in any event, the problem I think is really dramatically shown by this map. This map was printed in *The Financial Post* about September, 1966, and it shows, as it says in your brief:

> —Ontario's major new industrial projects each involving expenditures of $100,000 or more, publicly announced between mid-1965 and mid-1966. The numbers beside the place-names are the total of the new projects in each community; details and outlays are listed—

The map that appears in *The Financial Post* does not have this red circle, that I have marked on it, but other than that it is the exact map. This area to the north is now designated. Some of these places are not designated; Brantford was and is not now; of course, Windsor was; but generally speaking that area in there is not. But in that one single year, there are the industries that came to that area; there are the industries that came to this area. Not one single industry came to the area that is represented here today. It would be easy to say: well, you are not going to get industries in that area, designation or no designation because substantially it is a rural agricultural area.

That is not true. Speaking particularly for the town of Goderich, we do not expect that we are going to get an industry every year, but until this legislation was passed, we got our share of industry. We obtained the Sheaffer Pen plant—their only Canadian plant—in competition with some thirty other municipalities. I can tell you quite frankly we would not get it today if we were in competition with some of these municipalities. This area did not have a dramatic growth. It had a slow, steady growth. I can refer to other small industries that came to some of these towns, but since this legislation was passed in effect it just choked that area.

There is no problem in a place like Stratford or any of the places close to the golden horseshoe. They have so many natural advantages that companies considering coming there still come because the natural advantages so outweigh the tax advantage. For instance, in 1966 Stratford has its largest year so far as industrial promotion is concerned. More companies came into Stratford in 1966 than in any of the previous years, even with the whole area to the north designated. This gives some idea of the natural advantages of this area. We do not have that same type of advantage and before this act was passed we had to fight to gather the industry that we did, but now this type of legislation practically has choked us to death.

What I want to speak about briefly is the criteria that were used. Of course, it is a simple answer to say, well just de-designate this area or likely it will be automatically de-designated if it falls within the act, and you are back where you were before, and no one is hurt. I do not think that is the simple answer. It is easy to say: well, this is a question of economic growth and a provincial responsibility, or you are talking about industrial promotion, which really is not a federal responsibility and I do not think that is the easy answer. I am here to say to you that I think—and this is my respectful opinion—that area there should be designated for a short period of time and should be given the same shot in the arm the northern area received, and I want to recommend what I think might be considered a suitable amendment to the present legislation, keeping in mind that it is federal legislation, and the factors of federal and provincial responsibility.

If you look at the present legislation without reading it in detail, there are three main ways to be designated: one is that you have a high unemployment factor, which does not exist in this area and never will. People do not stay in this area to be unemployed; they move out. If you are going to be unemployed you will shift to Owen Sound or Stratford or some other region. You are not going to stay in these small municipalities. It is not really so much a question of unemployment as a question of employment, so we would not fit under that.

Secondly, there is the combination of unemployment and an average annual income of less than the national average family income of $5400 and change. Again, we do not fit into that category. We fall well below the average annual family income, but still we do not have the required unemployment.

The third main area is any national employment service area in which the average annual non-farm family income is below $4250. We do not fall within that. That is the part of the act that I think has been unfair to this area and, to some extent, it may be illogical if you look at the figures. In the area that I represent—Goderich and that unemployment insurance office area—the average non-farm family income is about $4600. Bruce, which is represented here, has about $4400 and Wellington is close to $5000. I am not sure what Dufferin is but, for instance, in the Owen Sound area that was designated, the average individual income is $4560; that is really in Grey County. The average individual income in Huron where we are—industrial income—according to the last census is about $3400 to $3500.

I think perhaps one of two things could be done. I realize that the available statistics, which are the 1961 census, are the statistics that are available as far as the family income is concerned. But in an area of small population like this where admittedly some areas—let us say the agricultural area—are well to do you are going to have doctors, lawyers and dentists, who have a very high income because they are scarce. That high income, of course, is used to determine the average family income, but it is illogical to me that this areas, which has a higher family income than this area, but with some unemployment, is designated and we are not.

It is my respectful submission that if you are going to use family income, rather than $4250 it should be in the area of $4600. If you look at the statistics that will not bring in the whole province of Ontario, it will not bring in the rest of the Dominion of Canada, but it will bring in all the areas represented here today, plus some others, but they are all areas of slow economic growth without any real unemployment because people just do not stay unemployed there.

Or, what I would think would be a much better criterion, is the average industrial worker's wage. It is in our brief. If you look at the back of our brief, all of the towns are listed and these are from census figures. Now, it ranges—I suppose Goderich is the highest, because of the mine—from $3500 right down to some $2700. To me, that is far more significant than using the basis of the annual non-farm family income. They are the average wages of the industrial workers and, I dare say, are much lower than other areas that I could name that have been designated. That is the type of thing which I think means more.

Some people might say: you are really interested in real income; in other words, taking into consideration the cost of living and looking at real income, but those statistics are practically impossible to find. I think there is some merit in suggesting that we look at the information from the Canada Pension Plan returns, or income tax returns, rather than this 1961 annual non-farm family income, because I do not think it gives a proper picture. There is no question in my mind that area, even with no unemployment, was much, much worse off than this area to the north which happened to have sufficient unemployment to come within that magic formula.

In conclusion, when we appear before the Minister—and, indeed this has been quoted freely in the press—the objection we get to a brief from an area like this is that it is said: Well, that is not really a federal responsibility; that is really a provincial responsibility. Economic growth—slow economic growth—is a provincial responsibility, and industrial promotion is a provincial responsibility. I am not going to argue that the question of economic growth or industrial promotion is not a provincial responsibility; I agree that it is. I say to you that the present legislation we have before us is worded

carefully to fall within the federal guidelines, but when you get down to paragraphs (b) and (c) that refer to the average annual income, to me that is legislating on slow growth. They use the words in the news release that was put out by the Minister's office. I do not know the date of it, but he says on page 6, the last page:

> In viewing the economic problems facing Canada and its regions, the Government is convinced that special emphasis must be placed on the need to expand Canada's manufacturing and processing industries. We are determined to ensure that a share of this expansion takes place in areas where industrial employment and income opportunities have tended to be inadequate. The new program of capital grants is designed to make a worthwhile contribution to the achievement of this goal.

Now, in effect, I think we are talking about slow-growth areas as well as areas of chronic, high unemployment. The preamble to the legislation talks about "slow-growth—"—admittedly—"combined with unemployment." All I am saying is that the area represented here, because of geographical conditions, does not show the high unemployment. The whole use of the National Employment Service as a guide, I think, is wrong—with respect. It cuts across geographical areas. They are not set up in natural geographical areas; they cut across them. I do not mean to be critical, but this area is designated. Kincardine, which is 15 miles south of Port Elgin, has chronic problems—furniture industries closing up—but they were not designated and Port Elgin was. Why? Because they were in a different National Employment service office. To me, that is ridiculous. Talking frankly, we cannot afford to be hurt by this type of legislation. We do live in a thriving agricultural area but the towns have central education; it is the towns that are educating these people. Clinton, one of the largest industrial technical schools in western Ontario, is located there. Large additions are going up in Goderich and Exeter for technical education. That is very expensive. Most of the large central schools finally will be in the towns, so the towns have to have this industrial assessment. They have to be able to compete at least on an equal footing. I think, under the present legislation, we not only cannot compete on an equal footing, we are at a severe disadvantage.

I do not know whether I can add anything, really, in conclusion. I would recommend to you two papers that most of you gentlemen probably have had an opportunity of reading, one by Mr. David W. Slater on economic growth and development. In talking about regional development he said this:

> The best, but not the only goal, for regional development is to aim for comparable rewards for comparable people engaged in comparable activities in various regions. A second important goal is to reduce quite markedly the inequalities of opportunity for people among various regions and, in particular, to overcome the tendency for poverty to beget poverty. A fourth goal is to redress man-made inequities and inefficiencies and the sharing of the fruits of development of processes among regions.

In conclusion, I want to make one recommendation for the consideration of your Committee because we concede we do not fall within the present legislation. I am looking again at this news release. They refer to the legislation and to paragraphs (a), (b), (c), (d), (e), and (f), and specifically to paragraph (c) which reads:

> A national employment service area in which the average annual non-farm family income is below $4250 . . .

It would be my recommendation that be amended to read: "A national employment service area in which the average annual non-farm family income is below $4600," rather than $4250 or, in the alternative, rather than using the basis of annual family income, to use the basis of the average industrial income for individual workers. I do not have a recommendation and a figure there; I would have to look at the statistics. But, if it is felt because of the available statistics that we should review the present annual family income, I suggest it should be raised to $4600 and it would have a more meaningful effect. Thank you, very much.

The CHAIRMAN: We have heard from our three representatives and I have had an indication from a number of members that they would like to ask questions or make comments. Before I do that, I congratulate the three gentlemen on the outline of their problem and on their making some recommendations. Before I ask members to comment or ask questions there might be some one else from the delegation who wants to add something. Will you come forward, sir? Just speak into the microphone and identify yourself.

Mr. E. MCINNES (*Member of Council, Town of Hanover*): Mr. Chairman, and members of the Committee, my name is Elwyn McInnes. I am a councillor from the town of Hanover. I am not quite sure, but I think Hanover is possibly the next town in size to Goderich, and has a population approaching 5,000.

Primarily, this is a furniture industry town going back to the 1850's. The reason I want to bring a point forward is because we are a very short distance from Owen Sound, about 32 miles. In a few weeks or months a plant will be opened there which will employ 350 people in the woodworking crafts. This is going to affect our town, I am quite sure. I represent an industry which was on an expansion program early in 1965. The old company was acquired by a newly-formed company with public capital and launched on a $2.5 million expansion program. At the time this industry was well on its way to expansion, the news was released that the area to the north would be designated.

We had already engaged a large contracting firm and had spent $100,000 in site acquisition and all the footings were in. We were well on our way. Eleven miles to the north was a designated area. What were we going to do? Should we cease and go up eleven miles to take advantage of this? However, the management looked it over completely and thought at this stage we should stay close to the original factory. We have two factories, the old four-storey building which is completely independent, and the new acquisition of 200,000 square feet which gives increased production capacity. We are concerned about what may happen in a few months because we have co-operated with the provincial department in expanding our work force to 300 hourly employees and they are in a training program. It has been costly to us because of a lot of mistakes made, as can be expected, with "green" employees and we have no way of holding these employees. When they are more or less trained they feel they are of supervisory ability and they can readily go off to another place.

Another reason I say this is because in June, 1966, we made a survey, in co-operation with the Ontario Housing Corporation, of all the employees that are engaged in our town, and in our own particular factory 42.5 per cent of employees came from out of town. That could be anywhere from a mile up to 20, 25 or 30 miles. When they come east 15 or 20 miles, they can just as easily go north to the designated area and secure employment. I think this is of real concern. It has made quite an impact

on our area and I would like this to be registered as just a little complaint. Thank you, very much.

Mr. WINKLER: Mr. Chairman, could I ask Mr. McInnes, a question?

The CHAIRMAN: Yes, Mr. Winkler. Could you sit near a microphone, please; that is so we can have it recorded, Mr. Winkler.

Mr. WINKLER: I would like to ask Mr. McInnes whether the new plant is working to capacity?

Mr. MCINNES: Not quite, Mr. Winkler.

Mr. WINKLER: Do you have difficulty in finding employees?

Mr. MCINNES: We have to accept employees who are sent to us by the Department of Manpower. We must co-operate with that department and also with this training program. We have lots of men, but the aptitude of some of them is not too desirable and there has been quite a heavy turnover of personnel during the last year.

Mr. WINKLER: Do you think this is due in any way to the designated area being close by you on the north side?

Mr. MCINNES: Quite likely, yes, because some young fellows do not seem to have too much concern for the security we can offer them. They say; Oh I can get a job tomorrow. We very often know where they are going.

Mr. WINKLER: Thank you.

The CHAIRMAN: Mr. Saltsman?

Mr. SALTSMAN: I am trying to relate what Mr. McInnes has told us to the advantages that might accrue to Hanover if it were designated at the present time, and I have not been able to do this. Some damage obviously has been done because of the designation that has occurred, but if Hanover were designated now, how would this help you, because really it is a question of wage differentials or private preferences determining where your employees are going, and redesignating Hanover does not seem to hold any promise that these people will come back to Hanover, unless other things happen as well.

Mr. MCINNES: At the present time our company is in wage negotiations by virtue of the fact that the contract had to be re-opened and normally it should not come up for review again until 1968. This is rather tough going right now. Last week they had meetings and I think if the other woodworking factories are given a little chance to compete with the northern part in wages, then the workers could be held better. As far as industrial expansion is concerned, we have an industrial basin there and we can quite well welcome feeder industries. We have had many inquiries but there is not too much incentive. We have the land available, we have the services; so we are just waiting.

Mr. SALTSMAN: I am just trying to understand how designating Hanover would help in the particular problem that you have indicated to us, the loss of employees.

Mr. MCINNES: I think it would—

Mr. WINKLER: Can I help you out there?

Mr. MCINNES: All right.

Mr. WINKLER: It is the lack of opportunity by industries establishing in Owen Sound which, as Mr. McInnes said, is a very few miles to the north. These people are going to go where the best job offer is open to them.

Mr. SALTSMAN: Yes, but that has nothing to do with designated areas, has it? That has a great deal to do with the wages being paid in the various areas.

Mr. WINKLER: That may be so. Certainly wages is why they change, but why does a certain situation develop, shall we say, in the city of Owen Sound or Midland? It is simply because they have had this opportunity.

The CHAIRMAN: Mr. Whelan and Mr. Winkler are newcomers to the Committee. If you have had any disagreements prior to coming into our very harmonious committee, I would be grateful if you would contain yourselves. We have had a very nice, harmonious Committee here.

Mr. WINKLER: I warned you yesterday, Mr. Chairman.

The CHAIRMAN: Yes, and at the time I did not realize that Mr. Whelan was coming on, which I am sure is a source of great aggravation to you, and I have great sympathy for you, Mr. Winkler.

Mr. WINKLER: But it does not bother me.

The CHAIRMAN: Well, have we completed the—

Mr. REID: Could I ask one further supplementary?

The CHAIRMAN: Yes, Mr. Reid.

Mr. REID: The problem you have spoken of about employees is not simply one of designation or non-designation, but it seems to be that the young people whom you would like to get and hold in your area want to move on to other areas because of the brighter lights, and so on.

Mr. MCINNES: That is true, sir. This is not just a problem here. I understand it is a problem down in Welland and other very highly industrialized cities. It is just one of those things that is happening now.

Mr. REID: They are looking for a bigger place in which to live. They are looking for the bright lights. It is something else again. It is something which designation per se is not going to cure.

Mr. MCINNES: Well, it is hard to say.

Mr. Daniel MURPHY (*Goderich*): The basic problem is not the problem of young people leaving. You still have young people leaving Owen Sound even though they are designated.

Mr. MCINNES: That is right.

Mr. MURPHY: That is a problem even in Kitchener. Kitchener-Waterloo is a large area and they complain that they cannot keep their engineers there. That is always a problem. We are not here because we do not like to lose our young people, but if we do not keep pace with a slow steady growth and keep industrial assessment, and keep it on a slow steady growth, we will go bankrupt. We will not even be able to educate the young people to let them go to the cities to work.

Mr. REID: Well that is something perhaps we could go into in the next series of questions.

The CHAIRMAN: Are there any other gentlemen from the delegation who have further comments to add? Yes, Mr. Noonan, could you come to a microphone? Mr. Noonan, I might say, is one of the distinguished lights of the delegation because he comes from Newfoundland.

An hon. MEMBER: We will not necessarily hold that against him.

Mr. H. F. NOONAN (*Clinton*): Thank you. Mr. Chairman and gentlemen, all I was going to say is that when you think of it everything is relative. In Clinton, which is a small place and has no relation to the ups or downs either of the province or the dominion, we have a population of about 3200. Unfortunately, in the last five years we have lost 10 per cent of our population. In order to bring this home to each and every person here, if you were to take 10 per cent of the town in which you live, and then suddenly find that 10 percent is going to leave inside of a year or two, it will bring home to you the concern with which we in Clinton view the results of this conference. Thank you.

The CHAIRMAN: It is ten-thirty. You are on the list to speak, Mr. Saltsman, along with a couple of others and I am wondering whether these gentlemen have anything to add? Then I will throw the meeting open to members' questions. I think that might lead to more orderly discussion.

Mr. David KILBERG (*Town of Listowel*): I am David Kilberg representing the town of Listowel. Mr. Chairman and members of the Committee, I was prepared with quite a number of points, but most of them were brought out by the speakers who represent the area which we are in. But I do see that the members of the Committee are quite concerned about why we should be designated and why we are in need of help.

I represent the town of Listowel, and I do not want to single out Listowel because we all are here in a joint effort, but each municipality's problem perhaps will be a part of the overall problem. I understand it is recommended for any municipality to stay healthy financially, that they should have 40 per cent industrial and commercial assessment. I must say to you—and I have the statistics here on which I will not spend too much time unless I am asked to do so—that in Listowel instead of the 40 per cent that is recommended we have 18 per cent of the overall assessment.

There are so many very heavy demands put on any municipality, as has been mentioned by the previous speakers in educating our children, although we have established we are losing them. But, at the same time, we have certain services to provide for our people and with this low commercial and industrial assessment we are not in a position to continue to give all the services and meet all the requirements that are asked of any municipality by the government, and we are going backwards. Thank you.

The CHAIRMAN: Are there any further comments? Just state your name.

Mr. William IRWIN (*Mayor of Palmerston*): I may say that I speak on behalf of the rest of my colleagues in the municipality. Naturally, being mayor of the town of Palmerston, I am mentioning my own town. That is why I am here. In years past we have had ups and downs. I am speaking about railroads and so on, and our population, which is rather scattered. Our trains are down now to a dozen. This is the start of our trouble in these small towns. I am glad that we are able to hold them. I had

the honour to second a motion by our good friend, Mr. Eric Winkler, in the town of Walkerton, with the meeting with the Canadian National Railway officials and I see we still have a little transportation.

My main beef here is that we have our high school in the town of Palmerston which would be tops in any city, thanks to the levels of government who have seen fit to let us go ahead with that. Speaking of the Norval District Secondary school, which is now an area regional school, there will be 1,000 there by 1969. The industries I am coming to now are the base ones. Those who are coming out of the vocational school are now going to the metropolitan areas, which is only natural. We have no industry.

I have the assurance from our head principal there that he could put on courses that would comply with the needs of different industries that might move into our town. The enrolment at present is approximately 800. It should exceed 900 or 1,000 by 1969. Norval is fully competent and offers all courses offered in any large city; academic courses leading to any course in university or teacher's college; nurses' training school; a four year clerical course; a five year secretarial course and a five year accountancy course; four year and five year courses in auto mechanics; electricity—carpentry and millwork, machine shop, drafting and agriculture; occupational training, nursing arts and hospital care—two year courses for girls; auto body repair, service station maintenance, construction and welding.

With the set-up we have in our town we are able to offer services equal to those of a city, except postal delivery. I am sure that I can say to the citizens of that town that I am glad to have been mayor for four years. Distinguished gentlemen, I would like it to go, of course, but this is one reason: we have no other industry there except the feed mill to share our high school, an industry in itself. We have 38 teachers, a principal and a vice principal. We have the Palmerston Retarded Children's Centre there which is a great sight and might take a lot of help in the labour situation.

As a chap from Listowel has mentioned, they have Campell's soups but they take all these from all the different towns, but we would like to see one in our own district to get the thing rolling. We do not want to be greedy, but I would like to see one come in. Thank you very much, gentlemen.

The CHAIRMAN: Mr. Patterson has indicated that he would like to say something and then I think I will throw it open to the members for questioning if that is all right with everyone. Mr. Patterson, will you come forward please.

Mr. Arnold PATTERSON (*Mayor of Orangeville*): I am Arnold Patterson and I am at the moment the Mayor of Orangeville. I have supported the brief that you have heard right from the beginning. I feel that the towns mentioned in western Ontario have a real problem of economic slow growth. I would like to speak just for one moment about my own town of Orangeville. Since 1960 we have had a very good industrial growth and the town has expanded in population probably by 50 to 60 per cent. I think at the time this happened it was very important to the county of Dufferin. Ontario statistics have shown that the farm income in Dufferin County has been one of the lowest in the province of Ontario. At the same time, the county of Dufferin is the smallest county in Ontario and the county rate is about the highest in Ontario. Therefore, by supplying work in Orangeville, we did help a lot of marginal farms and farm workers in the county of Dufferin.

We continued to get industry until the fall of 1965 when the area to the north was designated and we have noticed since this has happened that our industrial inquiries have dropped to practically nothing. We have not secured an industry since that time and we feel that we are in a very poor position so long as an adjacent area is designated. I must point this out. This will probably apply if places to the west of us become designated in the future, and I feel that so long as adjacent areas are designated, places like our own have no hope of getting more industry. It creates quite a feeling of frustration and there is just no point in spending more money for industrial promotion so long as this type of situation exists next door.

My main interest, I think, today as far as my own community is concerned is that if the ills of the present area to the north have been cured, that area would become de-designated. I think I am quite willing to take my chances. So far as the brief here today is concerned I think if the criterion that has been suggested were applied, that the county of Dufferin would qualify in every way just as well as the counties of Huron, Wellington and Bruce. Thank you, very much.

The CHAIRMAN: Thank you, Mr. Patterson. I have a list of members who want to ask questions or make comments; Mr. Faulkner, Mr. Saltsman, Mr. Reid, Mr. Whelan, and Mr. Lind. By the way, for the information of the delegation I might introduce the members? You introduced yourselves, so I will introduce the members of the Committee. To my immediate left is Mr. Whelan from Essex South; Mr. Reid, Kenora-Rainy River; Mr. Saltsman, Waterloo South; Mr. Faulkner, Peterborough; Mr. Bower, Shelburne-Yarmouth-Clare; Mr. Peters, Timiskaming; Mr. McKinley, Mr. Winkler and Mr. Lind, and I believe probably you will know Mr. Hales. Mr. Faulkner, would you like to start the questioning?

Mr. FAULKNER: Mr. Chairman, first of all I would like to say that the comments about the area come as a surprise. I was fortunate enough to spend some time south of Goderich last summer and the superficial impression one gets over there is that you are probably living in one of the nicest sections of Ontario, and coming from Peterborough that is a difficult thing to confess to. But that was my impression. It is a beautiful part of the country and it does not surprise me, I suppose, because you are talking specifically about industry. But, when Mr. Bridle talks about the good life I certainly had impression you were enjoying a fair measure of it, but that may have been only a tourist's superficial judgment.

I think the brief is very commendable and it touched on a number of the areas which we, as members of the Committee, have in turn had questions about. This business of slow growth; this business of regional development, as opposed to simply responding to levels of unemployment is something that we, as members of the Committee, have discussed with the Minister and members of his department. I do not see, though, Mr. Murphy, if we deal specifically with the problem of the family income level, that you will overcome the problems you raised about finally having to draw a line somewhere to separate one community from the other. This is a very difficult problem. I do not think it would be overcome by the particular amendment that you propose.

Mr. MURPHY: Well, can I answer that?

Mr. FAULKNER: Yes.

Mr. MURPHY: Drawing a line is always difficult, but all I can say to that is this: This area certainly has not been affected by that designation and I doubt that it would be affected by this, because they have so many other natural attractions for industry that a small town just cannot give them. For instance, I do not think Parry Sound has got any industries since it has been designated; Thornbury has not, nor Meaford. It puts you on an equal footing. I think we have to say no one expects that every little town in this whole area is going to boom into large industrial communities, but some of the towns are going to get their share of industry and it will give everyone a chance to compete. When this line was drawn we had a tough time competing anyway, and I think if you looked at that section with no cities; to me that map just stands out, the whole area just—boom!

Mr. FAULKNER: I agree, but I wanted to take issue with the point that I thought you made, that somehow we could overcome the problem of eventually drawing a line. Unless we designated the whole country—

Mr. MURPHY: No, you have to draw a line.

Mr. FAULKNER: —you are faced with the problem of lines and we cannot avoid it. The Committee cannot avoid it unless, as I say, we are prepared to designate the whole country, and so I think the existence of lines is a dimension of the problem which we are going to have to live with. Maybe we can argue where the lines go and whether they are drawn in a fair and equitable manner.

Mr. MURPHY: Maybe they should not cross—geographically.

Mr. FAULKNER: But that brings us back to the whole question of the approach to this problem through a concept of regional government and the problems you raised in this regard—the problems of constitutional jurisdiction. Again I would simply say that in the Committee if you were able to get the previous testimony we spent a lot of time exploring this with the Minister and there are important problems attached to it.

There is only one other point I want to make and it is really a point of information. I would like to know who you have in the way of industrial commissioners in the area the delegation represents. Who do you have there on a full-time basis trying to attract industry and promote the development of the region?

Mr. Gordon HAASE (*Senior Economist, Department of Industry*): Well, most of the towns have industrial commissions. There is the mid-western Ontario development and then there is the Georgian Bay. I would say there is very active industrial promotion.

Mr. FAULKNER: Could you just explain this to me? You have the Georgian Bay Industrial Development Association. I would assume that goes beyond—

Mr. HAASE: Oh yes, quite beyond this area—

Mr. FAULKNER: Yes.

Mr. HAASE: —but it includes part of it.

Mr. FAULKNER: Yes; roughly, where is it?

Mr. CLARENCE SCHMALTZ (*Walkerton, Ontario*): The regional development council of Georgian Bay takes in the counties of Grey, Bruce, part of Dufferin, Simcoe and the district of Parry Sound which runs up the north side of Georgian Bay. The mid-western takes in the balance of the area. They have a full-time man in Stratford, and I think

he has assisted all the towns in setting up industrial committees. The same applies in Grey, Bruce and the area to the north; Simcoe, Parry Sound and the district of Muskoka.

Mr. FAULKNER: So, basically the area we are talking about today is covered by two sorts of general industrial commissions, which include areas in both cases beyond the borders of this particular area. In other words, the Mid-Western Industrial Commission covers Stratford and areas to the south. Is any chief member of either of those industrial commissions with the delegation today?

Mr. SCHMALTZ: I am a director of the Georgina Bay Industrial Development Council.

Mr. FAULKNER: Yes, I see. Each of these two commissions has a full-time industrial commissioner?

Mr. SCHMALTZ: In our case we have two.

Mr. FAULKNER: Just roughly, what sort of budget does he work with in terms of being able to promote the area? Can you give me that figure?

Mr. SCHMALTZ: A budget of $55,000.

Mr. FAULKNER: Yes, $55,000. Would there be a comparable budget for the south?

Mr. SCHMALTZ: I would assume so, yes; perhaps not quite as much. Actually the Georgian Bay area, I think, has the highest budget of the nine regional development councils in Ontario.

Mr. FAULKNER: Is this commission entirely or primarily concerned with industrial growth and development, or does it also cover tourism and—

Mr. SCHMALTZ: It does not cover tourism, but it covers regional development. Naturally, we work with the tourist associations, but that is not our prime purpose.

Mr. FAULKNER: Have you made an assessment of what sort of industries this area would be most likely to attract?

Mr. SCHMALTZ: Oh, yes.

Mr. FAULKNER: You have? Have your industrial commissions approached industries either in the United States or Canada that might be considering setting up branch plants? Have they been approached through brochure—

Mr. SCHMALTZ: I would not say all of them, but we have a part-time man in Toronto—a retired bank manager, actually—who works approximately two or three days a week in the Toronto area, and our general manager has been as far as Europe with regard to industrial promotion.

Mr. FAULKNER: In the course of your efforts to promote new industry in your area have you found that the problem of a designated area has come up and has been the reason these companies have not tried to locate there?

Mr. SCHMALTZ: Our general manager, who is located in Midland, of course has most of the designated area under his jurisdiction and also the southern part of Grey and Bruce which are not designated, and he admits frankly that he could not even approach any industry with respect to settling in the southern part of Grey or Bruce with the added incentives they would have if it were an economic area. We only have to go 11 miles to the north of Walkerton or Hanover and we are in a designated area.

Mr. FAULKNER: Has he actually tried or has he just assumed that?

Mr. SCHMALTZ: No, he has tried.

Mr. FAULKNER: And has he got firm replies from these industries that they are not interested in locating in these areas because of the incentives to the north?

Mr. SCHMALTZ: I would say, yes.

Mr. FAULKNER: Have these companies that have said that, in turn, located in the north? Can you give me specific examples of companies that have located outside your area that were considering locating in your area, and the argument for it was the argument of designation?

Mr. SCHMALTZ: Well, even with industrial contacts, very rarely does a company deciding specifically to locate in one spot release its name. We deal with industrial contacts. We dealt, possibly with 12 or 15 a year before the area to the north was designated. We have dealt with a few since, not knowing who they were specifically—no one knows. Even the Ontario Department of Economics and Development—

Mr. MURPHY: Could I answer part of that question, Mr. Faulkner, with a specific example? I am on the industrial commission in Goderich and shortly before we made our last appearance we were negotiating with a firm which was looking at 21 or 22 municipalities, and it came down to a question of Owen Sound and Goderich. The executives came to Goderich and one of them actually looked at a house, but their president said, "no dice," and they went to Owen Sound. The tax advantage—

Mr. FAULKNER: Is that the reason he—

Mr. MURPHY: He gave that reason to me personally.

Mr. FAULKNER: There were not other reasons?

Mr. MURPHY: I would think none. I can tell you of a second case that we are dealing with right now. It is an American company that builds parts and I am trying to prove to them that they are not qualified under this act because of their type of industry. Unless I can do that, he is not coming to Goderich.

Mr. FAULKNER: Yes.

Mr. MURPHY: He is going—well, I cannot name the other place, but it is just a straight argument. If it is a question with him that he may not have enough new equipment, it may be that I can convince him that he cannot come within this act. That is the only way we can save him.

Mr. FAULKNER: Yes.

Mr. WINKLER: I think another good influence there, Mr. Faulkner, is the case quoted by Mr. McInnes. Had the company not dug their footings into the ground at the time the designated program was instituted, they would have moved. There is no question about that.

Mr. SALTSMAN: I would also like to read into the record, Mr. Chairman, from a news report of February 10, 1966, reported in the *Globe and Mail*, where the county clerk, Ross McLellan of Mount Forest said that:

> —the town had a new industry signed, sealed and delivered, but the firm decided to withdraw and build in a designated area because of the financial advantages offered by the program.

Mr. FAULKNER: Yes, I am not disputing. I actually come from an area that is not designated as well, and we have been going through the very arguments we have been going through here today. I am open to correction on this, and that is why I am sort of asking for your experience, but my impression in the case of my own area is that the designated area program was never a serious obstacle to our attracting new industry. It may have been a marginal factor, but it was not the sole factor. There were other factors such as the availability of airport facilities.

I found, for instance, in the Peterborough area the fact that we did not have a year-round airport was a much more important factor in excluding industry from our area. We had some sort of dramatic examples of people who were claiming it was the designated area concept, but when we actually got down to the individuals involved we found there were other factors really at work. I do not dispute the general problem you have; all I am trying to do is assess in my own mind to what degree the problems you are encountering are related specifically to the designated area program and, of course, what recommendations you might make for an improvement.

Mr. MURPHY: Well, in Goderich, for instance, there is a full-time year-round airport—just as a matter of interest—that can serve.

Mr. WHELAN: Centralia.

Mr. MURPHY: Yes, Centralia. I think it is too easy just to say it is a question of economic growth and it is a provincial responsibility; or it is a question of industrial promotion and it is a local or provincial responsibility. I think anyone who looks at this legislation has to admit that it covers not only unemployment, but also economic growth and it says so.

Mr. SALTSMAN: I just want to say, to begin with, that I am really pleased you are able to come before the Committee. Something that almost every member of the Committee has been asking for is to have the people involved here before us so that we can get to the heart of the matter and see what the dimension of the problem really is. I think the kind of information you have given us today is extremely valuable and I hope you will not mind if some of the questions are very pointed, because we are very much concerned about this problem. Since we have what I believe to be some very knowledgeable men on this subject before us, we will want to ask some very specific questions.

I was involved in a designated area program fiasco myself. As you know, Brantford was designated at a time Galt was not—I still have the brief—and we know the foolishness of this sort of thing and the difficulties that communities encounter when this type of thing takes place. To say that is not to solve the problem nor to know exactly what has to be done. I think everyone admits it is a serious problem. I do not think anyone pretends we have all the answers to it, and we are hoping in the work of this Committee we can come up with some answers. Even the Carter commission report, I see looking at the program, says the government programs for regional growth are little more than shots in the dark. That is really what it is—a shot in the dark. I do not think it is deliberate; I think we probably do not know enough about the program and I hope we can find out.

I would like to ask you about the basic propositions involved here to see whether we can get back to some of the basic problems. There seem to be three kinds of solutions generally offered to the problem of slow growth in some areas. One of them is

to move more industry in. Now, everyone wants more industry moved in. The other approach is to move people out under a mobility program—under a manpower retraining program—and a third suggestion has been made that maybe the problem is neither one nor the other of those two things, but a question of equalizing opportunity; in other words, equalizing assessment, perhaps. I think you point this out in your brief and the statement by Mr. Kilberg from Listowel about only 18 per cent of his assessment being industrial poses the real problem of the small community. What do you do about maintaining educational standards when you need industrial assessment to underwrite the cost of educational opportunities, especially when much of your education is almost designed for export, you might say? You educate people to leave the area. The more education you give them, the easier it is for them to become mobile and to leave.

Now, it is a very significant problem, and the question I want to ask you at this particular time is: Which do you think is the most serious aspect of this problem for your municipality? Is it a question of industrial versus residential assessment? Is it a question of keeping your young people close to their family ties? Is it a question of just growing for the sake of growing?

Mr. MURPHY: Do you want me to answer that?

Mr. SALTSMAN: I would appreciate an answer from any member of the panel.

Mr. MURPHY: I really cannot speak for the whole committee. I would think the main problem is industrial versus municipal assessment. I do not think we are ever going to come to the point where we can keep our young people in Western Ontario because they cannot keep them in much larger places than that. That is my personal opinion.

Mr. SALTSMAN: Well, if this is—I am sorry, go ahead.

Mr. KILBERG: My answer to this, Mr. Saltsman, would be that I think we have established here today that smaller municipalities need special attention.

Now, it seems in this day and age that the large companies normally get larger, and the small ones shrink, when it comes to business. The same, in my opinion, applies to municipalities. You will notice that larger cities get industry. The smaller centres are, at the same time, shrinking. My answer to this would be quite plain, that the smaller municipalities which are involved in this area should get special attention in order to pay for all the things, as I have mentioned before.

Mr. SALTSMAN: Am I fair in assessing the problem as one of taxation and equal opportunities for the smaller communities, rather than the other things, which are important in themselves? What you really need then, is a better taxation base to support the activities of a community, rather than just growing for the sake of growing.

Mr. MURPHY: I think you are simplifying it too much. You must remember that some municipalities in this area—I do not like talking about Goderich, but I happen to live there—have developed their storm sewers, and water, and have some substantial industry. They have paid for that, and once you are into the industrial market, you have to keep bringing it in. You just cannot stop.

Mr. SALTSMAN: Let me put this proposition to you: What we are getting now strikes me as the worst of both worlds. For instance, we are not getting the advantages of what you might call free enterprise, where businesses are able to make a decision

purely on the basis of economics. In other words, they will locate in a municipality that has services for them, for instance, or serviced lands, or a work force. You see, we are distorting this by offering special incentives. On the other hand, we are not getting the advantages of a fully-planned approach to the problem by saying: "Here is a municipality that has a work force and services; we will direct industry there." Now, both of these approaches are taken in different countries. We are getting something in between that gives us the benefits neither of one nor the other, althought it does have benefits of a different kind.

If it were posssible to stop municipalities competing for industrial assessment—and this is a real problem. In all the areas which I am familiar with you have this tremendous competition amongst municipalities. They all set up industrial commissioners, they belong to mid western associations, and it is a sort of beggar thy neighbour policy—it has been referred to as this—where they try to steal from each other, and there is no real advantage to the nation as a whole from the practice of just stealing industries from each other. They are not developing new ones or additional ones.

Now, if there is some argument for looking at this whole problem of industrial assessment, and saying that industrial assessment should be apportioned amongst people, regardless of where the industry is located—the industry is located in Toronto, or in Kitchener, or some other place—that kind of assessment should be given to everyone to stop this business of everyone running after industry, and then let industry go where it has the best opportunities for survival, where it has the best opportunities for the future. Would this, as a general principle, help to solve this problem?

Mr. MURPHY: I do not think so, myself.

Mr. SALTSMAN: Could I have other comments?

The CHAIRMAN: That is a quite far reaching question.

Mr. SALTSMAN: I understand.

The CHAIRMAN: This opens up a whole—

Mr. SCHMALTZ: Mr. Saltsman, it is not going to relieve the problem of our prime export, which is our high school graduates. It is not going to relieve that problem.

Mr. SALTSMAN: Well, is anything going to relieve that problem?

Mr. SCHMALTZ: Well, the manager of the Canada Manpower Centre at Owen Sound told us at an economic conference at Barrie that since Owen Sound was designated, he gets an average of 4 to 5 enquiries every week from former residents that want to move back. So, in other words, if the industrial opportunity is there, there is a chance that people are going to remain there. Nobody likes to be uprooted and moved to another centre. They would rather stay where they were born. I think that is the chief problem.

I realize what you people are faced with. I think the last study by the Canada Economic Council—as reported in the press—hit the nail on the head when it said the statistics available to the Committee on industry are archaic. That is what it termed them.

Mr. SALTSMAN: I notice you expressed that opinion in the news item as well, when you said:

Unemployment figures in the area remain low because all of the young people immediately leave the district on graduation to seek work in higher employment centres like Kitchener.

Mr. SCHMALTZ: That is what happened.

Mr. SALTSMAN: It is an understandable attitude.

Mr. SCHMALTZ: In my town, 50 per cent of the taxes I pay on a commercial assessment go towards the cost of education—50 per cent!

Mr. SALTSMAN: I think this is common in all municipalities now.

Mr. SCHMALTZ: It is higher in our areas, I think than it is in the cities.

Mr. SALTSMAN: We have a very favourable industrial residential assessment, and it is getting to the point now where 50 per cent of it does go to education. The question is, does your 50 per cent give as much educational opportunities in your areas, as it does in mine, with the higher industrial assessment? This is really the question, because maybe all you can afford is 50 per cent, but does it give you what you need?

Mr. SCHMALTZ: No, it does not and that is it.

Mr. SALTSMAN: May I ask you a question along this line: Do you think it is a mistake to designate the Owen Sound area, and thus give them a competitive advantage?

Mr. SCHMALTZ: No, I say definitely not. That legislation was brought in and it has done a job. It has created 6,500 job opportunities in that area around the lakes. But it has done its job. With the figure of 117 service workers for every 100 employed in industry, it has created job opportunities for over 15,000 people when, at the time of designation, they had about 3,000 unemployed. So, it has done its job.

Mr. HALES: May I ask a supplementary question? This is a very important question. Can this area of Owen Sound be de-designated? Can it be moved from the designated area? If so, how, and how soon can it be done? Is there anybody here from the department, or anybody else who can answer that question?

The CHAIRMAN: I believe that it is governed under the legislation, is it not, that at a certain point . . .

Mr. REID: It is tested every year.

Mr. MURPHY: I am advised that the computer will say so about April 1. I do not know whether that is correct or not.

The CHAIRMAN: One supplementary question I would like to ask—perhaps you cannot give that information. Perhaps we would have to ask that of the Departmental officials.

Mr. HALES: I would like an answer to my question first.

Mr. MURPHY: Well, that is what I was told.

Mr. HAASE: I would not touch the question, Mr. Chairman.

The CHAIRMAN: I see. Well, there has been a de-designation of areas?

Mr. MURPHY: Mr. Hales, I have spoken to officials in that department, and they tell me that they will be de-designated on April 1, most likely.

Mr. HALES: Well, then we do not have to change the criteria to have it de-designated. It just has to reach these criteria points, and then it will be de-designated?

The CHAIRMAN: I am not sure of that, Mr. Hales. I am thinking of the case of Brantford, but as I say, it was certainly my understanding that there comes a point. But I think we can clear that up for our next meeting.

Mr. HALES: I think Mr. Saltsman would agree that Brantford was de-designated because the criteria were changed. That is how it was de-designated. But I think this group here this morning would like an answer to that question. It would solve an awful lot of their problems if that area were de-designated.

The CHAIRMAN: It would not solve the principle that you have raised.

Mr. MURPHY: That is not the answer; it would help, sure, but that is a kind of dog-in-the-manger attitude, you know.

Mr. PETERS: Mr. Chairman, may I ask a supplementary question? I was fairly familiar with some of that area a few years ago, and it seems to me that there is a reducing of the area of problem by having the northern part of the Owen Sound area designated. Obviously Owen Sound did not have 3,000 unemployed, or any of the municipalities there. This unemployment stretched over a considerable rural area. How much advantage are those rural communities now gaining from the job opportunities being promoted from the north, rather than depending entirely on the fringe effects to bring industry in? Has this not had a great effect even on the communities that have had no visible industrial advantage?

Mr. SCHMALTZ: It will have some effect; it will have for years to come. But, there is a saturation point, I would feel.

Mr. PETERS: As I understand it, you belong to the council, the Ontario agency that the Department of Economics has established. You are no longer really a free agency. But, each municipality is in it. Each municipality must find that they will have so many more workers being employed from their municipality, although they may be employed in another area. Can this not be calculated? It seems to me we should know what this fringe benefit is to the municipalities that do not get a factory, but do get a considerable economic advantage in the municipality because the people are now employed and they are able to pay taxes in the municipality in which they live.

Mr. SALTSMAN: I would suggest, Mr. Chairman, that this is not an advantage; it is a great disadvantage. Let us go back to what Mr. McInnes said about Hanover. Look at the situation that Hanover is going to be in. It is going to be a federal town and the industrial assessment will be elsewhere.

The CHAIRMAN: I hope Mr. Saltsman is coming to a conclusion, because I have several other members who have indicated that they would like to make comments.

Mr. SALTSMAN: Well, I will come to a conclusion, Mr. Chairman, although there were quite a number of supplementaries on my time. I mean, there are some terribly anxious people on this Committee.

I would just like to finish with this business of Hanover. This again is one of the great difficulties of having a designated area so close to an area that you can draw employees from. Because Hanover will now find itself—if this factory starts pulling people from Hanover to work in the new plant—on the short end of the stick again

regarding industrial-residential ratios. Their costs will go up, their taxes will go up as a result of this, and this is one of the problems that we have to face.

Now, you were asked a question before, about drawing a line. I think Mr. Faulkner asked you about drawing a line. How do you bring this process of designation to a stop? If one area is designated, will it pull industry away from the area to the south; for instance, Essex County? Which area will then complain and ask for designation? Suppose we designate the area encompassed by the counties of Dufferin, Huron, Wellington and Bruce, what happens to the areas immediately below that? Are they going to start screaming?

Mr. MURPHY: I do not think they will be affected. Now, the area that I am particularly familiar with as far as competing for industrial assessment is concerned are Stratford—not so much London—Waterloo and Kitchener. When we are presenting our brochures to industry they are always represented, particularly Stratford. Now, I find that designation has not affected Stratford at all, because they have many other natural advantages that the tax advantage does not outweigh.

Mr. SALTSMAN: Well, Stratford is a special case. With the closing down of some of the railroad works there, Stratford found itself with a very large amount of space.

Mr. MURPHY: No, not now. Chris-Craft, for instance, went to Stratford last year. Chris-Craft obviously could have gone up to Orillia, but they went to Stratford. I sat in on some of those meetings, and without going into all of the details, their second choice was not a designated area. The Festival certainly is part of it for the executives; where they live and things like that. I did not find that Stratford, or indeed Kitchener or Waterloo, were affected by designation. To answer your question directly, you will notice that this area is surrounded by cities; Sarnia, London, Stratford, Waterloo, Guelph, Brampton. It is surrounded by cities.

Mr. SALTSMAN: I have a memorandum somewhere of a number of instances where the city of Kitchener and the city of Waterloo encountered difficulties because Elmira was in a designated area and they started moving to Elmira. Again, you see them—

Mr. MURPHY: Did you say Elmira is designated?

Mr. SALTSMAN: Or was, I think.

Mr. MURPHY: No, Elmira was never designated.

Mr. SALTSMAN: I am sorry, then. But let us say Elmira was designated; this does create a problem. However, I would like to leave that for the time being and just ask my last question which comes back to the first one. Can we really solve your problem under this kind of program, or do we have to look at a different kind of program, one that takes into account the need for equalizing opportunities for people regardless of where they live? In other words, a taxation averaging program where, perhaps, it may not be important where the industries locate, provided the benefits that come from industrial assessment accrue to everyone.

Mr. MURPHY: I do not think that is the answer. I think that is the answer where the rural areas are poor, and everyone is really satisfied to move into a kind of a golden horseshoe, if you want to put it that way. I do not think that is the answer in an area like this where you have a well-to-do agricultural area. We cannot let these towns grow into bedroom towns, if you want to put it that way, because I think it just hurts the prestige of the area. Admittedly the family farm units are getting larger, but you will

just have them disappearing, and being owned, in my opinion, by large companies. We are approaching that slowly now, but I think it has been headed off by family units getting large—500 or 1000 acre units. It is a question of prestige, too. People have to want to live there. I am afraid that under your system of equalized assessment they will just slowly phase out and slowly disappear.

The CHAIRMAN: You wanted to make a comment, did you sir?

Mr. KILBERG: Again, in answer to Mr. Saltsman's question, I think we all know that this area is so close—the municipalities are so close to one another—that it seems we are so related. Now, I would answer this question this way: With the same program, perhaps, it would be a spot designation throughout the area, rather than in one spot. If the same program could be carried out in a manner of spot locations—to designate a spot for a certain time and then another spot, perhaps—it would be up to the Committee to figure out what the distance from one spot to the other should be. This may be an answer for the same program to continue.

Mr. SALTSMAN: This really amounts to planning.

Mr. KILBERG: Planning it is.

Mr. SALTSMAN: It is specific planning, almost specific direction. Whether you call it inducement of one kind or another, it calls for a program of pinpointing where you want the industries to go in advance, and offering them incentive to go there. Is this a correct interpretation?

Mr. KILBERG: Yes, we will leave this in the capable hands of the Committee, and are hopeful that you will come up with a solution to the problem.

The CHAIRMAN: Thank you. Mr. Reid?

Mr. REID: Thank you, Mr. Chairman. I would like to ask some general questions about the new consolidation of Ontario government services that is going on. Is there a point in the area that you gentlemen represent where the Ontario government has been consolidating the various services it provides? For example, in my particular area, they have been consolidating all their services in the two lakehead cities. I would like to know whether there is a central point in your region where, say, the headquarters of the lands and forests department, and the welfare department would be, and things of this nature. They are not doing this?

Mr. MCLELLAN: Well, they are to a certain extent.

An hon. MEMBER: They are with the department of lands and forests, to a certain extent.

Mr. REID: Yes, they are.

Mr. MCLELLAN: You were talking about the welfare services.

Mr. REID: Well, I am talking about all Ontario government services. There is an attempt by the Ontario government to break up the province into a variety of regions, and to provide a certain amount of regional government infrastructure. I want to know whether there is a centre in the area you represent where this process is beginning.

Mr. SCHMALTZ: No.

Mr. REID: It is not being done? Where are your Ontario government and federal government offices administrated from?

Mr. SCHMALTZ: They are scattered through the area.

Mr. REID: They are scattered? There is no consolidation at all? Do you experience much difficulty from federal and provincial government agencies working at cross purposes to one another?

Mr. SCHMALTZ: Very much so. What specifically?

Mr. REID: Well, for example, where you would have lands and forests coming into conflict with other municipal developments, and things of this nature, or even a conflict with the federal government.

An hon. MEMBER: We have no longer any conscience.

Mr. REID: I am very interested in this, because one of the problems that we face in this Committee is that there is no really acknowledged method of stimulating growth in a particular area. We do not know enough about the dynamics of regional development. We do know, as Mr. Saltsman has said, that the area development program is a shot in the dark; an experiment. Basically it was designed to do one thing, and that was to deal with unemployment. I think it has been reasonably successful in that particular area. Unfortunately, the program has only had an effect, in, I think, 6 to 8 per cent of the areas which have been designated, which means, in effect, that about 90 per cent of the areas which have been designated have had no benefit at all from it in any way.

So, one of the proposals that has been put forward, and is even embodied in legislation, is the Quebec plan, whereby they take a regional centre. They divide the province into regions, and they make it a pool, a centre for economic development, in an area. Now, the Ontario government has designated certain areas as regions within Ontario and they have, through a variety of measures, attempted to consolidate the services they provide in the areas. I notice that your area is made up of 47 municipalities and counties. Now, I want to know what the centre is that you look to. If you come from Goderich and you wanted to go shopping or you wanted to deal with a government agency, where would you go to?

Mr. SCHMALTZ: Well, that is predominantly provincial.

Mr. REID: In other words, there is no regional office?

Mr. HARRY BRIDLE (*Mount Forest*): If we want to find out anything, the provincial offices are in Toronto, and that is where we go.

Mr. REID: There is no decentralization of government services at all?

Mr. MURPHY: There are some, but I do not know—

The CHAIRMAN: Excuse me, I wonder whether you could speak closer into the microphone, Mr. Schmaltz.

Mr. SCHMALTZ: The department of agriculture, for instance, is in Walkerton. The department of welfare, is over in Wingham, which is 25 miles away. Then they will have lands and forests in another centre. So, it is distributed throughout the whole area. What the provincial government is starting to do, is to ask the regional development councils for suggestions how these things could be consolidated in one economic area. They are asking us now, but they are not doing anything in our areas yet.

Mr. REID: Are you pushing it?

Mr. SCHMALTZ: Yes, we are.

Mr. MURPHY: To answer part of your question about the large areas that are designated not benefiting, I would assume that probably they did not get industry before, either.

Mr. REID: Oh, this is probably quite true.

Mr. MURPHY: This area did.

Mr. REID: Yes, I understand perfectly your problem.

Mr. MURPHY: Industries will come there.

Mr. REID: If you do not have this problem of the northern area—

Mr. MURPHY: Well, I really think that area should get a little shot in the arm right now.

Mr. REID: Further to the centralizing of Ontario government facilities, it seems to me that with 47 municipalities and 3 counties, you people have an awful lot of government. Has any thought been given to the consolidating of the towns and the counties, perhaps, into more rational units?

Mr. BRIDLE: That is in the process right now. Regional government is the big thing in Ontario, and what is being talked about now. Peel and Halton are talking of going into regional government. But whether it will come in our area which is not growing as fast as these other centres, and when it will come, we do not know.

Mr. REID: It seems to me that this is something that would be of benefit to you—

Mr. MURPHY: There is the question of local pride. County councils do not want to disappear, you know.

Mr. REID: The real problem is that if you are going to attract industry, you must also provide the proper governmental atmosphere that is required. It seems to me that if you have an area like this, which is badly split into so many competing areas, some of which have a natural affinity, you are working against yourself.

Mr. MURPHY: You do not find that in the industrial commissions.

The CHAIRMAN: If the Committee will pardon me, I would like to make an intervention of my own here along the line that Mr. Saltsman has been pursuing and, in a related way, Mr. Reid, and I was discussing this earlier with some members of the Committee. It seems to me at the moment—you have 47 municipalities—because of your proximity to the area to the north of you, that what has really happened is any industry that is going to come into that general area is going to go into the area that is designated. Therefore, the point that Mr. Hales made is a very good one, that really, for the purposes of this act, your real problem is that if an industry is going to go into that area—bearing in mind the other factors you have going for you—it seems to me fairly natural that it is going to go into the area that is designated.

If you were all designated, there are going to be a great many of your municipalities that may still feel it is like a game of bingo and you still have a chance, but by the law of averages the industries are only going to come to certain points. Which presents to me—along the line that Mr. Reid is talking about—a real problem in the difference between the application of the area development agency in more sophisticated and more developed areas, such as Western Ontario, in relation to areas such as northern New

Brunswick, Northern Ontario, or Newfoundland where you do not have this development. You do not have the competing municipalities, so you are able to select 3 or 4 or 5 natural growth centres on which to concentrate development. In your case, if you were to follow to the limit the sort of planned approach this would be, perhaps, what you would have to do because, unless you designate the entire province of Ontario, you are still going to be confronted with municipalities in Ontario with exactly the same problem that many of your municipalities have.

This points up, I think, a question about this kind of program in the province of Ontario, because I think to remove some of these inequities other factors must be at work, which are not in your case, because all of you here today, it seems to me, feel that your municipality should have an equal chance, or as much chance as possible, with other municipalities. What has really happened to you is because they designated this area on the periphery, it is competing with you. The industries that would be going in northern New Brunswick are not the ones that are bothering you at all. It is the industries going in that area there. I think if we are going to have any areas designated in the province of Ontario, this is going to be a problem that we are going to have to live with within the present approach of the program. Mr. Saltsman would you comment?

Mr. SALTSMAN: You raised a very important point that perhaps there is a good argument for designated areas on a wide regional basis. For instance, perhaps the entire Martitime provinces, as has been recommended and studied, should be designated and the entire province of Ontario should not have any kind of designation. Or you might take the whole of northern Ontario, for instance.

The CHAIRMAN: In the case of Northern Ontario, if they were to agree upon industrial parks, they could pick 4 or 5 places. You see, the one difference and the problem is to move 25 miles to have an industry come in as you have, for example. I am just trying to get the fullest discussion in. You go into Owen Sound and you are 15 miles from 5 new industries, or you are 50 miles from 5 new industries. There are other regions of the country particularly, I think, northern Ontario or the Maritimes where, if they had industry within 50 or 100 miles, this would be completely acceptable because they are not developed to the level that you are now developed. So, perhaps there are two different kinds of problems involved in your approach to the burden of education and your municipal tax lease, which is causing your local municipalities several problems at the present time.

Mr. WINKLER: Mr. Chairman, to counter the arguments that you put forth, some of the gentlemen that are here are here for the fourth and maybe the fifth time. They represent what they think is a given area with a common problem. This is what has brought them together. They recognize the difficulties they are having in maintaining their municipalities because of the situation that the government created north of them and we agree that it was a good program. I think all of us will agree that it was a good program. The costs involved in maintaining the municipalities that these gentlemen represent increase at the rate of any other municipality in the province of Ontario without these advantages and without any hope for abatement of the increase in cost while they, in fact, are subsidizing the larger urban centres. I think this is one of the basic things.

The CHAIRMAN: Yes, and I certainly agree with that, Mr. Winkler, but we are just thinking aloud here to try to find some solution, because it may well be that with a more thorough investigation and in time you can constitute this as a region.

Mr. WINKLER: Could I ask a very brief question? What authority has the Committee? You know I am not a member of the Committee, but what authority has the Committee with regard to the presentation here this morning? Does it have any authority at all?

The CHAIRMAN: Mr. Winkler, I think you will realize we have the same authority as any Committee has. At the conclusion of the study of the Area Development Agency estimates we can make some suggestions to the department, to the Minister, and to the House concerning further action that may be taken. I was going to say something about that at the conclusion of the meeting. I might say that we have certainly gone past our normal time because these meetings are usually for an hour and a half, but this morning we did, through the thoughtfulness of our Clerk see to it that the room we engaged for the 9.30 hour would not be taken at 11 o'clock. If some members did have other committee meetings they could go, but since these gentlemen have come from such a distance to be with us, we would like to take as much time as possible with them.

Mr. REID: Mr. Chairman, could I—

The CHAIRMAN: I am sorry to interrupt you, but this is one of the few subjects on which I do interrupt. I am not like some of the other committee chairmen, like Mr. Whelan or some of the others, that are always talking. Go ahead Mr. Reid.

M. REID: One of the problems of any regional development program or the ARDA program is that it involves discrimination. You just cannot have this type of program without discrimination. Now, you know we have a bit of a constitutional problem here and that the Area Development Program is designed to be based on unemployment because the federal government has jurisdiction in this, and by slippling in the income levels almost unobstrusively the federal governement has been able to turn it into, perhaps, a little bit of a regional development program but not going as far and as fast as probably it or the members of this Committee would like to see it go.

Now, there are other agencies of the federal government which do not have any limitations. I am referring to the ARDA program. Now, ARDA has done considerable study of the Gaspe region and northern New Brunswick and it seems to me in these studies and the programs that have been recommended, some of which have been accepted, that it goes far beyond what we would call a rural redevelopment area.

The CHAIRMAN: This the point I was trying to make; it is dealing with a less developed area.

Mr. REID: Yes, but the point I want to make here is that the ARDA program in Ontario is not as widely interpreted as it is in other provinces. In Ontario the ARDA program is limited solely to agricultural activities, while in the other provinces it has a broader range, going in to help small industrial development which is basically what we are looking for in this particular area.

Now, I want to know whether the members of the delegation here have investigated the possibility of ARDA programming of some nature in their area with the

provincial government—which, unfortunately, has control of it—and whether they have made any representations to the provincial government concerning an improvement of their regional development program which, at the present time, seems to be to consolidate industrial development in the golden horseshoe region.

Mr. SCHMALTZ: Anyone who is familiar with the ARDA program in Ontario realizes that it is not doing for Ontario what it is doing for Quebec.

Mr. REID: That is right.

Mr. SCHMALTZ: The Georgian Bay Regional Development Council that I belong to have had five submissions in the last year that they went into very thoroughly and which they thought should be accepted by ARDA. Mr. Crown is the director of ARDA. These refusals by Mr. Crown and his directorate to consider these proposals have led to our asking for a meeting with the entire directorate to know why they continue to turn down proposals for our section of Ontario that are acceptable in the province of Quebec and acceptable, you might say, out west and in the maritimes. We feel there is discrimination in the ARDA program in Ontario.

Mr. REID: There is more money in the program too, really, than there is in the other and it has probably been ...

Mr. LIND: May I ask a supplementary to clear up a point here, Mr. Reid? I know Mr. Crown very well. I have known him for a number of years and with all due respect to Mr. Crown, is it stalled at the provincial level or is it stalled at the federal level?

Mr. SCHMALTZ: It is turned down at the provincial level.

Mr. LIND: It is turned down at the provincial level?

Mr. SCHMALTZ: I am not saying it is Mr. Crown; it might be his directorate.

Mr. LIND: Well, then, it is not a matter of the federal government refusing to help.

Mr. SCHMALTZ: No.

Mr. LIND: I just wanted to clear that. Thanks, Mr. Reid.

Mr. REID: I am trying to explore other avenues, because it seems to me that so long as we have the constitutional difficulties there are severe limits to the expansion we can make of the present program and since this particular Committee is interested in regional development, there are other programs which I would like to see investigated. Another one which is supposed to be going to the House is the Fund for Rural Economic Development (FRED).

Mr. MURPHY: Why do you say there are limitations? Just looking at the third way that you can become designated.

> A National Employment Service area in which the average annual non-farm family income is below $4,250.

Now, that is part of the act.

Mr. REID: Yes, but the second section qualifies that. Remember, there are two sections to Part C.

Mr. MURPHY: Yes, I see the second section.

Mr. REID: The second section puts a qualification on that and I quote Section 2 of part C:

> A National Employment Service area in which 40 percent or more of all non-farm families have an average annual income below $3,000.

Mr. MURPHY: That is right. Now, all I am saying to you is this:

The CHAIRMAN: Excuse me, on this point about the federal government using national income, which you say deviates from the criteria, which they said is on his employment. This section he has read deals with an area which has to have a specific unemployment, but the rationale whether you accept it or not, behind using the income figures, is that it includes under employment as well as unemployment, so in that sense it is still tied to the employment which is under federal jurisdiction.

Mr. MURPHY: That is right, but all I am saying is that when you say there are real problems, I could change either of those two figures and you would have the same legislation for that whole area, so it is not really a constitutional problem, if you want to change that to $4,600.

Mr. REID: The figures are chosen on national averages, so you are not going to change those unless you raise or lower the national average.

Mr. MURPHY: Yes, but what I am saying is that I do not think you can just brush it off by saying it is a constitutional problem within that section. For instance, as I said earlier, Bruce has a non-farm family income of about—if that were $4,400 rather than $4,250, Bruce would fall within that area.

Mr. REID: With the $3,000?

Mr. MURPHY: I think so. Certainly parts of this area would.

The CHAIRMAN: I have Mr. Whelan now, who will be very brief.

Mr. WHELAN: Thank you for the suggestion. First of all, I would suggest that provinces compete, also—they have different legislation. It has been pointed out by Mr. Reid that the provinces use the ARDA legislation differently. They have used it differently than the province of Ontario, to great advantage I may say.

One thing I would like to ask first is whether anyone can give me any idea of what the housing condition is in any of these towns. Is housing available? Is there sewage; are there water facilities?

Mr. MURPHY: Most certainly I can speak for Goderich. Certainly there is ample in Goderich and I suppose if a large industry came you would apply to the housing authority in Toronto—as Owen Sound did, by the way—and you would likely build fifty or seventy-five houses if you required them.

Mr. WHELAN: I just spent a couple of days in two large metropolitan areas, London and Toronto, and we had builders and so on who presented briefs before us, point out all the red tape they had to go through. I see all the municipal politicians around here, and having been one for about fourteen years, I understood part of what they said. They gave us evidence that showed it took over three years to have a sub-division finally approved. The value of the land, of course, went up tremendously during that time. This is what I mean; if an industtry did want to come in you have no way of knowing whether it would be approved in time. Do you have sub-divisions available for industry, and so on?

Mr. MURPHY: With respect to industry, an aircraft industry considered coming to Goderich about a year ago because of the airport and the facilities for repairing and so on. Now, they did not come. I might say it had nothing to do with designation. They went to another non-designated area, but the problem of housing came up in that matter. With what we had I think we needed about another fifty or sixty houses, and

we had assurance from the minister in Toronto that if the industry were going to take about six months to build a building, we could have had them approved and up.

Mr. WHELAN: I am merely saying that I think you could probably do a better job on housing and one that your workers could afford, because in Toronto no worker can afford housing today. I think Mr. Winkler stated earlier that you are subsidizing the large metropolitan areas, and this becomes more apparent every day as more things are concentrated there. In some governments—not the same types that we have here—they control where industry can go. Do any one of you have any feelings that we should have legislation telling industry where they should locate?

The CHAIRMAN: Yes, there is a gentleman there who says he has some reaction to that.

Mr. George BRIDGE (*Palmerston, Ontario*): Probably I could answer that question. I believe our town is, perhaps, an average town in this area. It is a railroad town. At one time sixty-five trains went in and out of our town every day. Today, it is down to about a dozen. Now, talking about the housing question we have low rental housing —and probably this will answer another question, too—in six of those houses there are thirty-three children going to public school. We are forced to educate those children. Today when they are educated, the way it has been since the railroad left our town, there is no work; they will be forced to just disappear and we will have been educating for the larger areas that have industry.

Another point I would like to bring out is that since the railroad left our area—we lost our shops, car department, freight sheds, and so on—this land is available for industry at a very, very low cost.

Mr. WHELAN: I am not saying that I am in favour of this, but some people have suggested it and some countries have legislation that we have studied, that tells industry where they can locate and where they can not.

Mr. BRIDGE: Mid-Western, I believe, has worked along that line but we have nothing in our area.

Mr. WHELAN: But, are you in favour of this type of legislation?

Mr. BRIDGE: Yes.

Mr. WHELAN: Perhaps most of you know that the area I come from was designated, but from experience that I had this did not prove that your municipality got industry because it was in a designated area. I can remember one of the—

Mr. MURPHY: Was that municipality getting industry before designation?

Mr. WHELAN: I would not say that they were getting it before, but the reason we suffered tremendously in our area and it affected the whole county, was because the Ford Motor Company decided to move out of Windsor, and it had a drastic effect on all the municipalities and a drastic effect on the city of Windsor. They are just now recouping, but they never would have if it had not been a designated area. Now, there are many municipalities that tried to get industries but they did not have sewage, they did not have water, and they never got any industries. Some of these same municipalities that have since been designated put in sewage treatment plants which they did not have before and, due to the auto pact, two new industries have announced their intentions of moving in there, one in Leamington and one in Windsor. One will employ 200 and I think the other one 400 people, or 600 people in all.

They are coming there, and again Windsor has just now got its sewage treatment plant under way. This is one of the reasons why these factories came into that area. Now, I find out that what happened to us was not because of what any government did, but what industry itself did to the city of Windsor. They moved out and it was never proved economically feasible for the Ford Motor Company to move to Toronto. They can never prove to anyone that it was a wise move economically for the Ford Motor Company, but it certainly raised cain with the City of Windsor and the surrounding area for many years, because unemployment there reached as high as 30 per cent. At the present time there is practically no unemployment in that area. There is some, but there will always be.

Mr. PETERS: Mr. Chairman, I would like to put in a bid for Elliot Lake. We have a town that will house 50,000 people and Mr. Whelan is helping to pay to heat some of those houses that are empty. If you need to bring an industry in where there are accommodations, certainly we should look at our own city, the one the taxpayers of Canada pretty well own which has housing for a great number of people and which we are heating. You, as a taxpayer, are heating them and nobody is living in them and they are $25,000 homes.

Mr. WHELAN: You are adding weight to my argument that industry just does not go where there are facilities, but they go where they are going to do the best service. Perhaps Mr. Peters is suggesting that we tell an industry when they want to come that they must go to Elliot Lake. I do not know whether this is what he has in mind or not.

One of the things that jeopardized our area too was the lack of good highway facilities. We have now had them for one year, and again this has helped industry in that area. Do you have any super highways or any real direct connecting links that would provide swift truck transportation out of that area?

Mr. MURPHY: There was no complaint about transportation at any meeting that I have sat in on with industry, I would say there is reasonably good transportation from that area and quick transportation in the metropolitan areas, better than your area, I would say, with respect. It does not have a super highway, but it is closer in that respect; there is quick transportation.

Mr. WHELAN: The last link of highway to 401 between Windsor and Toronto was finished only a year ago and the trucking companies can point to savings, because they can go through to Montreal in less hours and they are not travelling through towns. Have you bypasses in your town? I used to travel in that area quite a bit at one time. The last time I was through there was about two years ago, but I had to drive directly through almost every town.

Mr. MURPHY: It depends where you are shipping. One industry we were negotiating with wanted to ship substantially to Sarnia and, of course, that is a direct route.

Mr. WHELAN: I am just wondering whether the highway facilities are similar to other areas where you do have this speedy transportation system.

Mr. MURPHY: You can get on to highway No. 401 at Kitchener.

Mr. BRIDLE: I come from Mount Forest and that is a long way from Goderich, at least 45 miles.

Mr. WHELAN: Are not the regional development agencies set up by the province?

Mr. SCHMALTZ: Yes.

Mr. WHELAN: When Mr. Reid asked you whether the province was setting up regions I think you said, "no".

Mr. SCHMALTZ: I said "yes".

Mr. REID: I was asking whether the province of Ontario was centralizing its operations. They have a separate program which is not related—or does not appear to be related—in which they set up regional development councils, and they will provide those councils with matching grants to what is raised locally.

Mr. WHELAN: I know, we have the same regional development association at home, and I understood the province—

Mr. SCHMALTZ: There are nine in Ontario.

Mr. REID: This is why I asked the question. I knew they were developing regionally and I wanted to know whether the Ontario government was doing this.

Mr. WHELAN: I want to make one comment and I stated this earlier, Mr. Chairman. It was pointed out to us that in Toronto people earning $6,000 or $7,000 cannot afford to buy a home there and I suggested at those meetings that somehow, in some way we should require industry to move out of that area. Even our great specialist—and I do not want to quote him at length—Professor McLuhan points out that area does not mean anything too much any more as far as location is concerned because communication is instantaneous and transportation is good. I think this is a horrible thing that we are doing in the metropolitan area of Toronto. According to all of the statistics of economists, the concentration of our people is going to grow and in a few short years 50 per cent will be in about five centres in all of Canada. I do not know what we can do to stop it unless it is by legislation.

Mr. BRIDLE: I think probably we are losing sight of all the other development plans. We all are elected representatives and we know this is going on. This is primarily our problem: We had trouble competing with the golden horseshoe before; we knew they had facilities to offer, more so than we had. When this plan was brought into the north it worked, and it has worked. This is now six months out of date, and probably more industry has moved into this area. We are asking that this area, which we feel economically was the low of the area which was designated, be designated to give us some advantage over the golden horseshoe and, gentlemen, I do feel that industry is moving out of this centre. It has been proven by this area to the north of us, which have gained some very large industries.

I am the industrial chairman in Mount Forest and if we had someone coming into the town of Mount Forest who was going to employ 1,000 men, it would mean a tremendous outlay of money. But a lot of secondary small industries employ 70 to 200 people, and certainly we could digest this, as the gentleman from Listowel mentioned. With regard to spot zoning, I do not think it can be done. I think the fairest thing here would be for the area north of us to be de-designated, and if we are designated, I think we would have high hopes of carrying on as we were before, that is, a slow growth.

Mr. Whelan mentioned housing and we have this problem in Mount Forest. We have no houses, but we are going to build two subdivisions because we do have some

natural growth. People living in Mount Forest drive to Guelph, Waterloo, Kitchener and Fergus to work. We are housing these people and educating their children, and this is compounding our difficulties.

It is nice; certainly the town is growing. I am a merchant on the main street. They bring their raises home and they spend them on the main street. Certainly that is to my advantage, but not to the municipality. We are educating those children and our industrial assessment is not growing. That is our problem.

We are here today to ask you that when this area is designated, which I believe is imminent, then this area be designated for a short period of time, say for a year or two years, and just give us a chance to get industry. I do feel that industry is moving out of this area down here, and this has been proven by the big industries that have been gained by the area to the north of us. Thank you, gentlemen.

The CHAIRMAN: Next on my list is Mr. Lind.

Mr. LIND: Thank you, Mr. Chairman, I will be very brief.

Mr. Bridle, I have one brief point. I notice from your brief that you are interested only in industry in your town, although we realize that the area along Lake Huron is a terrific tourist attraction and this means a big influx of business through the tourist industry. But the thing that amazes me about the brief—and I have been looking at it very carefully—is that the last year you quote here is 1961.

Mr. BRIDLE: Those are federal figures, and that is the last year for which they are available.

Mr. LIND: I know, but every year every municipality files population and wage level figures with the Ontario Municipal Board. I imagine that the 1966 figures are available by now.

I would be interested in knowing the difference between 1961 and 1966.

Mr. MURPHY: The 1961 figure was used because that is the figure the department uses to determine whether or not you are in or out under their legislation.

Mr. LIND: I can appreciate that, Mr. Murphy but you have also used the wage level for 1961.

Mr. MURPHY: So does the department.

Mr. LIND: Oh, I see.

Mr. SCHMALTZ: The federal government will not recognize Ontario figures.

Mr. LIND: I see; I am sorry about that.

Mr. BRIDLE: Our committee had to decide what figures to use and as we understood the federal government would not recognize provincial figures we used those figures.

Mr. LIND: Thank you, that is a very logical explanation.

The other thing is that concerning these industrial commissions that are set up in the area, I would assume that the industrial commission is set up for the total area including Owen Sound and Midland. Does it include the town of Barrie?

Mr. BRIDLE: The provincial development association is what you are talking of now.

Mr. LIND: Well, this gentleman spoke about the industrial commissioner and sub-commissioner.

Mr. SCHMALTZ: Barrie has its own industrial commission.

Mr. LIND: Barrie was never a designated area, was it?

Mr. SCHMALTZ: No.

Mr. LIND: I always like to point to Barrie as an example. The people went out on their own and obtained a great deal of industry for that area due to an aggressive industrial commission which was set up in that town.

Mr. MURPHY: With a lot of natural geographical advantages, Mr. Lind.

Mr. LIND: I realize they have a lot of natural advantages, but may I point out to you, Mr. Murphy, that you have one of the best ports on the west side of Lake Huron, and it keeps your freight rate—which is the equalized freight rate for the area—down, due to the natural port at Goderich.

Mr. MURPHY: It is a natural port for salt and grain, but it is not a commercial port other than that.

Mr. LIND: You have lake traffic that can come in.

Mr. MURPHY: Just for salt and grain.

Mr. LIND: If there were other industry there which needed freight, it could come in by lake, could it not?

Mr. MURPHY: We have looked into that extensively and it is a problem of the size of the boat and a problem of stevedores. As you know, we export I do not know how many graders a year to Europe, and it has not been feasible for them to use boat; they still use train.

Mr. LIND: They still use train, but it does equalize your freight rates, does it not?

Mr. MURPHY: Partially.

Mr. LIND: I would like to speak briefly of another area, and I am going back to the municipality with which I am familiar. What has the municipal government done in each of these towns to induce industry? Have they made a survey of the labour force available?

Mr. MURPHY: I would say they have done quite a bit.

Mr. LIND: On the amount of housing that is available?

Mr. MURPHY: Yes.

Mr. LIND: Is serviced land available for industry?

Mr. MURPHY: There is in Goderich and Hanover and other municipalities I know of.

Mr. LIND: And have they made a survey of what electric power is available?

Mr. MURPHY: Oh, yes. We have ample cheap electric power in most of the area.

Mr. LIND: Have they gone out aggressively and endeavoured to sell industry on this?

Mr. MURPHY: I would say, yes.

Mr. LIND: The only other question I have, Mr. Chairman, concerns future shelter and improvement of shelter. Does the CMHC provide direct loans in your areas?

Mr. MURPHY: Yes.

Mr. LIND: Thank you very much.

The CHAIRMAN: Mr. Winkler, you are next.

Mr. WINKLER: Mr. Chairman, I will be very brief because I have to leave. I will have to turn my thoughts from those which were more lengthy. I am sorry that Mr. Faulkner has left. You know, governments are all powerful. I recall that a few years ago the government made a decision to construct quite a large business up north and Mr. Faulkner happens to have it. Now, that is one way we designate. A government can move right in and unilaterally do something for an area. However, they took it out of there and gave it to Mr. Faulkner so he is the gainer one way or another. You know how these things work, Mr. Chairman. I am going to speak now on behalf of—

The CHAIRMAN: Do you have any advice as to how they may work better, particularly for St. John's West, Mr. Winkler?

Mr. WHELAN: I lost a research station like that in 1957.

Mr. WINKLER: The initial decision was the correct one but anyway they charged it.

The point I want to make now is that the presentations which have been made here, in my humble opinion, have been threshed to death now. These people in the first instance came down and we were not able to meet the Minister at that time. We spent quite a significant period of time with the people of the department. We know now, of course, that they were down on another occasion and met with the Minister. Now, of course, they are appearing before the Committee. The members of the Committee, in my humble opinion, are usually good practising politicians and I had hoped that they would make a decision in favour of this delegation.

It seems to me that there was a tendency this morning to wander away from the purpose of the delegation today from the federal authority to the provincial authority. But they are here with their problem at the federal level and this is where they want to be heard and this is where they want action. They are not asking for anything other than equality.

I will go even a step farther than Mr. Bridle went; even if they do not de-designate, these people are aggressive people and they have been putting forth effort for years. I know my friend, Tubby, here has worked his head off—Tubby Schmaltz and Walkerton.

They have put forth a great effort. They would lose a magnificent man if he ever decided to move out. All of these gentlemen act the same way in their communities. This, I know, and I know very well.

I believe, though, that the delegation would only ask for equality in the area they represent. I believe that they have had, up to this point, a great big run-around. They have never had a "Yes" or a "No" answer—we keep dangling them on the end of a string. I hope the Committee will do one thing and that is simply to recommend to the Minister that the area represented by these people be designated if it is in his mind so to do. I know I have tried to get him to commit himself, and he refuses. I think the time has come for him to stop the people that are here from spending their own good money and time coming down here on useless exercises.

I am not worried about the economy of that part of Ontario or any part of Canada or any part of North America. I think there is a tremendous future for us. But, right now they want only equality of opportunity in the area to which they are contiguous in relationship to what the government has done in the legislation before

you. It can be done. You know as well as I do that it can be done if the Minister says so. I believe the people that are here have come earnestly on each and every occasion. I can only see—and I tell you and I tell them very frankly—that each visit has seen them a step down and farther away from their goals and their objectives. Now, you told me earlier that the only thing you can do is to recommend, and I hope you do that because we have not had the proper hearings from the government which we should have.

Mr. MURPHY: Mr. Winkler, do you think that this area can be designated without a change in the legislation?

Mr. WINKLER: Yes.

Mr. MURPHY: How?

Mr. WINKLER: Simply on the basis of full growth. If you read the Prime Minister's words in the House of Commons when the legislation was introduced, that is the first plan—

Mr. MURPHY: I do not want to argue about that. If what you say is right I would be happy, but from my reading of the legislation—if you read the act and the regulations—I do not think this area can be designated unless the legislation is amended. If someone can tell me differently I would be very happy to hear from him.

Mr. PETERS: There is no question; it must be amended.

Mr. WINKLER: As you have suggested yourself, it needs one figure to be changed and in that regard we are benefiting from the affluence of society today in this part of the country the same as everybody else, but at the same time we are darn poor people when it comes to industrial opportunity. If all that is necessary is to make the change to give this area this opportunity, I think it is incumbent upon the government to do it.

Everyone of you men here this morning know very well that Owen Sound, Collingwood, Midland all are saturated with industry now. They are absolutely saturated with it and they were ahead of us to begin with. It is only a practical, common sense decision. As Harry Bridle said: "Give it to us for a short time and we will do the rest of the work".

Mr. MURPHY: But you agree that the legislation has to be amended first?

Mr. WINKLER: I do not agree with you totally on that score.

The CHAIRMAN: Mr. Winkler, that is correct. The legislation would have to be amended. However, I will have something to say on this matter of the Committee's action at the conclusion of comments.

Mr. Winkler, it is too bad you are not going to stay. You should go into politics.

Mr. WINKLER: These fellows know me well enough.

The CHAIRMAN: So do we, Eric. The next man who is going to speak is Mr. Hales.

Mr. HALES: Mr. Chairman, thank you very much. I will be very brief because it is now five minutes past 12. We have covered a lot of very interesting points here this morning and I think it has been good for our Committee to hear the views of these people who have taken the time to come down here and present this brief.

I have just one short sentence and then I am going to get around to the recommendations this group has brought to us. I think it would be a mistake on our part if we did not give some thought to their recommendations. But before that I think our Committee might be well advised to give consideration to reporting to the House and to the Minister that this area development program possibly is unconstitutional and that

the federal government should not be involved in this area development plan whatsoever, that it is a provincial matter and may be it should be left at the provincial level. A group of people from this area should not come all the way to Ottawa to make representation when they should be making it to a closer government, namely, in their own province.

Another reason is that the criteria which are set down here may apply to the province of Ontario but they would not have the same effect in your province of Newfoundland. The figures may be way out in Newfoundland. So, I throw out for further thought the question of whether we are constitutionally right in being in this field. However, we are in it and they are here, so we will look at their recommendations. The second last paragraph on page 2 reads:

> It is recommended that when an area is designated according to the present formula based on percentage of registered unemployed, that the area remain designated until job opportunities created by incoming industry are equal to ninety per cent of the registered unemployed at the time of designation.

Now, with all due deference to Mr. Murphy, who referred to my remarks earlier as "a dog-in-the-manger attitude". I think this is the very thing you have in your recommendation, is it not? It may be "a dog in the manger" attitude or references you refer to, but this would mean that the area to the north of you—the designated area of Owen Sound-Collingwood—would perhaps reach the point where it would be equal to 90 per cent of the registered unemployed and, therefore, they would be de-designated according to your recommendations.

Mr. MURPHY: Mr. Hales, I think it will be de-designated this spring under the present legislation, anyway.

Mr. HALES: Would your recommendations not de-designate?

Mr. MURPHY: Yes, but you must remember that brief was prepared some time ago. Our information—

Mr. HALES: You mean this particular brief?

Mr. MURPHY: This brief.

Mr. HALES: This is the one you brought and it is current as far as we are concerned today.

Mr. MURPHY: I beg your pardon?

Mr. HALES: It is current as far as we are concerned today.

Mr. MURPHY: Yes, except that it was prepared before we met with the Minister. Our present information is—rightly or wrongly—that this area to the north, under the present legislation, will be de-designated in the spring of this year.

Mr. HALES: Because 90 per cent of the registered—

Mr. MURPHY: Not because of that; because—

Mr. HALES: But it would be according to your recommendations?

Mr. MURPHY: Oh, yes, that is correct.

Mr. HALES: So, you would not refer to my remarks as being "dog-in-the-manger", then?

Mr. MURPHY: Let me put it this way: I am not down here to try to get another area de-designated so much as to try to get this area designated. This is a positive approach.

Mr. HALES: But your recommendation will de-designate this area?

Mr. MURPHY: That is quite true.

Mr. HALES: I wanted to bring this out very clearly to the Committee. Now, your recommendation stands on that basis. This is what you presented to the Committee and I would accept it. I would say that the Committee should recommend it to the Minister. You have presented it to us and I would recommend that it be presented to him in that form.

Mr. MURPHY: Is it necessary now?

Mr. HALES: Another thing is that I think it is utterly ridiculous for the department handling this matter to be using 1961 figures and be six years out of date. If they will not accept the province of Ontario's figures, then that is all the more reason why the provinces should handle this matter, in my humble opinion. However, the men are here and I think we should hear whether there are any other recommendations they have to offer. Apparently there is just this one recommendation in your brief.

Mr. MURPHY: Additional to what is in the brief I made a recommendation in my submission of how I thought the legislation should be amended specifically.

Mr. HALES: Mr. Chairman, we must make sure we have that recommendation as well.

The CHAIRMAN: I have taken note of the recommendations but, of course, they will be contained in the record as well as the other matters which were discussed by other speakers in addition to those contained in the brief.

Mr. HALES: Mr. Chairman, that is all I wanted to discuss. I think our Committee should accept and forward these two recommendations through the proper channels.

Mr. SALTSMAN: Mr. Chairman, I have a short supplementary on that. This recommendation regarding using a certain percentage of unemployment as a basis of designating or otherwise is a real problem. I think using unemployment, period, is a real problem. In the first place the statistics are not accurate; I mean, trying to prove 90 per cent of what, sort of thing. The second point that has come out here is you may have an area where there is no unemployment but there is a rapid population loss which will not be reflected in unemployment figures. I think one of the things this Committe has to consider is whether this is an adequate criterion for designation or helping slow-growth areas, or whether we have to find a better basis for examining this problem than just some figures that, first of all, I do not think they are terribly accurate. I think we ran into this problem with Brantford because of unemployment figures and I think the same problem is manifest in the area where there is shipping. The unemployment figures are not accurate or correct. I would like to see the Committee look further into this particular aspect of it.

The CHAIRMAN: Mr. McKinley is the final questioner.

Mr. MCKINLEY: I just have one or two questions and they are very short. I am very happy to see—if I understand correctly—that Huron country is enclosed now in the area for which you are seeking designation.

Mr. MURPHY: Actually, Exeter is not one of the municipalities represented by this brief, but if there were any designation I could not conceive that it would be left out.

Mr. MCKINLEY: Previously I was disturbed a little that the area requested before was going to split it up. I am very glad to see this. I think governments look at the over-all good of a country in any legislation they put forth. One thing perhaps we have failed to bring forth in this brief that might make them think a little more—and Mr. Whelan mentioned this briefly—is this talk we have heard about shortages of food coming up in future years. I was out west two weeks ago and I found that they are rapidly depleting the supply of feed grains that we depend on quite a bit in Ontario. These factories, industrial and residential sections are taking up a lot of valuable and productive farm land when they could be moving into centres that would still be close enough for transportation to the places where they use the production and should be in this area which these men are talking about.

There are many places where farmers are not able to make a living and that land could be used much better for factories, industries, and residential developments to house the people who look after and work at those industries. I think, in the overall picture of our country, this is one of the most important things we should be putting forward to the government, because this shortage of food is coming. We have areas in this area where they cannot grow corn and with the depletion of western feed grains we are going to have to use corn that we can grow in Ontario but we are building houses and factories and super highways on the very land that is most productive. This is one submission we should have on the record along with the brief that has been presented. Also, talking about houses, I could put forth the fact that there are 360 empty houses in Centralia that certainly could be made use of. Beautiful houses are sitting there empty. I think there is a certain responsibility on the part of the federal government to give us some assistance to fill those houses since they put them there, and people built stores and services to accommodate all those people and now they are gone. They do have a responsibility and I just wanted to bring that fact out.

The CHAIRMAN: We have been meeting almost three hours and—

Mr. PETERS: Mr. Chairman, I would like to say two things. I disagree radically with Mr. Hales on the constitutional aspects of this. He may be better informed than I because I presume it was his government that introduced the area development program in the first place.

The CHAIRMAN: No.

An hon. MEMBER: No.

Mr. PETERS: Well, he did not have as much to do with it, then, as I thought he did. The fact is, when we put the area development program in, it was designed primarily to be a solution to the problem of unemployment; therefore, we used the unemployment figures at that time. Since then the Prime Minister, and certainly the government now, is oriented to put the area development program more into the role of the war on poverty. It is under the secretary of the war on poverty at the present.

The CHAIRMAN: No, it is not.

Mr. PETERS: Well, yes, Mr. Chairman, it is. I just had a long discussion with the secretary this week—

The CHAIRMAN: Well, that may be. It may be semantics.

Mr. PETERS: They include it and certainly the Prime Minister in his own speech this year included it, and it may be that we should look at it. Also I disagree violently with Mr. Hales that the provincial governments should be the ones that are designing this type of legislation and we only move as fast as the governments, particularly in Ontario, move. I think it is a fact that the government in Ontario has not looked beyond the golden horseshoe for a long time. They have done absolutely nothing for the people beyond the golden horseshoe and the periphery. Somebody mentioned Barrie—the periphery of the golden horseshoe went into Barrie because it is on Highway 401. It is closely linked to it and it was a damned depressed wage area. In fact, we thought they were going to get low wages in that area and that is not my desire, and I do not think it is the desire of anybody who intends to plan for a country.

Mr. Chairman, I think we are going to have to call the Ontario economic department officials before us and decide whether or not they want to participate in an area development agency. It is not quite true that we follow these criteria. It is not true that we have followed these criteria. For instance, we designated several communities that in my opinion did not use any of the criteria; one of them, I believe, is Manitoulin Island and the other is Sturgeon Falls. I think we have made exceptions. I think the Ontario government sat down with us and made some choices that have absolutely nothing to do with the criteria. I think we have overlooked the criteria in days gone by.

I had the opportunity of being a candidate in Collingwood at one time in the provincial field and I made a speech there as a miner coming from Timmins, knowing that you worked 365 days of the year if the company could persuade you to, as they did for many years, and when I suggested that we get alternative industry in Collingwood to provide the ship workers, who only worked in the wintertime, rebuilding ships, with full-time work they said, "What the hell are you trying to do? We have unemployment insurance in the summertime. We have summer cottages along the shore and we have no damned intentions of working more than the six months." If you use these figures and you consider that to be in the national interest then you have a hole in your head. Obviously, I did not get elected in Collingwood. They were not interested in this proposition.

Mr. Chairman, it is a fact that the whole area—and I have been through that area many times—is not in the same economic growth category as the area north of us. They have industry. It is true it is seasonal, but there are many, many communities in that area that are very, very poor. I would consider that area to be a depressed area in terms of growth. They have not grown much. You can look at the figures. The figures indicate that some of them have decreased over the years. It seems to me that what the people here are really saying to us, contrary to what Mr. Hales says, is that we should do something about the slow-growth areas, whether not we change the criteria in that regard.

I simply do not agree that you de-designate one area to give the benefit to an other. I think it is much fairer to say that you designate a larger area, or you use the old term that we originally had of areas contiguous to the national unemployment insurance areas, as the basis, but it seems to me that these people coming here are coming to us because they have not been able to do anything in Ontario. They have not been able to get along with Ontario. Ontario has set up these development agencies, which they have changed now to councils, and they have not been satisfactory. They

have not been successful in any way, shape or form. They are government agencies that the government has forgotten. When these people come here and you look around and see all the municipalities represented from that area, you have to face the fact that they have gone to the provincial government hundreds of times. There is probably not one of these leaders who does not vote Tory, and I am sure that almost everyone—

Mr. MURPHY: Oh, I would not say that.

Mr. PETERS: Well, I have been in that area and most of them support that party. They just have not been able to talk to the people in Ontario. In listening to the chairman of another committee that was in Manitoba it was obvious the provincial government took full advantage of the federal legislation. They even abused it. They went into fields, I am sure—as Mr. Whelan has said—that the ARDA program was never intended to go in to. They went into it and the federal government continued to co-operate.

I think the problem in Ontario is with the Ontario government and the fact that we have been sucked into this crazy business of having to have a co-operative program between the provinces and the federal government, rather than face the real fact that it is a national responsibility to look after growth areas. I think that this is the crux of the matter. The reason these people are here is because they realize they are not getting anywhere on the basis on which they have to operate. I am in complete disagreement with the suggestion that this should be turned back to the provincial government. I think the federal government should exercise its responsibility and I think the criterion has changed from unemployment. There was a very large and growing amount of unemployment five years ago. This is not a factor any more.

The people are interested, as Mr. Winkler said in equality of opportunity in areas and if the people in this area, as in other areas, have not got equality of opportunity for employment, I am of the opinion that we cannot send these people back to the province of Ontario and tell them that they are going to get assistance there. We are going to have to provide it.

Mr. HALES: Mr. Chairman, may I have equal time for rebuttal?

The CHAIRMAN: If the Chairman may just say something—

Mr. PETERS: I did not intend it for you, Mr. Hales.

The CHAIRMAN: I was just going to say I have noticed that removed from the presence of constituents and voters, this Committee have had an unusual degree of agreement and enjoyment but the minute voters and constituents appear on the scene we get political speeches from Eric Winkler and now from the N.D.P. So frankly, Mr. Hales, certainly on a political party basis, it seems that I must turn it over to Mr. Reid to see that we get equal time for the government. Mr. Red has a comment.

Mr. REID: I do not have a comment; I have a question. Mr. Peters made the suggestion that we should call the Ontario government department of economics before us. As I understand it, we do not have that right, do we?

The CHAIRMAN: Mr. Peters has mentioned that to me, but I think it would be a very unusual procedure for a committee of the House of Commons to call before it ministers of the Crown of the province of Ontario. I believe perhaps there are other ways by which we can accomplish the desired end without engaging in confrontations of that order.

Mr. PETERS: I would be willing to have lesser lights than the ministers.

Mr. REID: The second question, Mr. Chairman, has to do with the concept of regional development. As I understand it, there is not one province that has not claimed regional development within its own borders as its own area, and the reason we have the area development program the way it is is because this is the only loophole for the federal government to move into this area in the current constitutional situation.

The CHAIRMAN: Well, I was going to say something, Mr. Reid, in trying to sum up because—

Mr. WHELAN: Could I ask one teeny question?

The CHAIRMAN: A teeny question, yes, if you are capable of asking teeny questions, Mr. Whelan.

Mr. WHELAN: Was not there first called manpower surplus areas?

The CHAIRMAN: I beg your pardon?

Mr. WHELAN: Was not manpower surplus areas the first terminology we had by the previous government; instead of designated areas?

The CHAIRMAN: Well, this time it was a new—

Mr. HALES: We gave certain grants to areas under another scheme, but through the provincial government. The provincial government came to Ottawa and said, we would like to designate this area, and then we approved it or not; but the province came. This works in reverse.

The CHAIRMAN: Well, gentlemen, we have gone on now for three hours, and in the comments of Mr. Winkler—I am sorry he and Mr. Peters have left the meeting—I would think first of all that surely many of you as elected officials and politicians appreciate that it is not within the power of this Committee to grant the designation of your area, nor is it in our Committee's ambit even to recommend that a particular area be designated. We have had the Minister and the department officials before us and we have had some good discussions on the matter, because some of the difficulties arise from the nature of the inception of this program; that is, basically it was a program to deal with unemployment or underemployment expanded, perhaps, in the war on poverty. We find other factors, as Mr. Saltsman and other members of the Committee have said such as regional growth, slow growth areas, centralization of facilities, all of which come under consideration when we are discussing this. As I illustrated to you—not in a parochial sense, but in the sense that we were dealing with just the coast of Labrador, for example, or some place where there are no roads—you are going into the whole basis, where ARDA is involved, of building up the basic infrastructure that many of your areas already enjoy and we can see a difference between that and the problem we have particularly exemplified by your brief.

I think you appreciate that under the present approach of expanding the area development agency, even if the criteria were so changed as to cover all or a large part of the area that you represent, there are still, as has been pointed out, other areas, particularly smaller municipalities, which will raise similar questions to the one that you have raised. In summing up that is why I think in the overall approach to it that Mr. Saltsman did raise a very good question when he was talking about the municipal tax base.

Your problem, it seems to me, really has been accentuated because an area contiguous to you which, in the normal course of events as I understand it is a comparable area, has been designated. Perhaps this can be avoided in the future by selecting regional growth areas but again—and I cannot over-emphasize this to you—as Mr. Hales has pointed out this does involve, and certainly has to involve, the provincial governments. Perhaps new avenues will be explored in determining regional growth policies programs within a given province such as Ontario. I think the government of Ontario has a responsibility here that can, perhaps, eventually be worked in with federal policies.

As I say, in areas where the problem is simpler, it is easier to get this kind of co-operation. If you are dealing with straight poverty—there it is, and you have to deal with it. When you are dealing with a more complicated problem such as yours, then I think the past couple of years have exemplified some of the difficulties. What I can assure you is that in our meetings in the past we have been very interested in this program. The members of the Committee—some whom are not here today because they are on other committees which are away, and other committees are sitting at the same time—will continue to study this with a view to making some suggestions to the department. Of course, some of the suggestions we may have to try on for size, and discuss with the department how they will work in practical ways.

Your coming here, in the light that Mr. Winkler or someone put on it that, here we are, all a bunch of nice fellows and we are going to sit down, and Mr. Saltsman is going to say, "Well, these fellows seem like nice fellows, they feel that they have a serious problem; let us recommend that they be designated". I am sure you appreciate, as elected officials in many cases yourselves, that this is not how it is going to work, but we do hope we can make some positive suggestions and that we can be helpful to the Minister and his officials in improving this program which is relatively new, as you know. Consequently, in my view, it is one that will need constant revision because of all these other factors that are involved.

I would like to say one other thing to you also, in terms of the recommendations we would make. We met primarily before Christmas, and it was at that time a group of you were originally scheduled to come before us, but because of adverse weather conditions—something which you can appreciate is not common to a Newfoundlander—you were unable to make it. Since then we have dealt with some legislation which we returned to the House of Commons. I cannot say for certain, but in the new session of Parliament which should be coming up after Easter, I suppose, or sometime around we will be reviewing the estimates of the Department of Industry. In this case we will probably have to continue our study of the area development agency because, having had a group from one area before us, other groups in other areas probably will want to exercise this prerogative. I cannot give you any time estimate at this moment of when this will be done.

I do not know what the Minister has said to you about the likelihood of amendments this year, and perhaps I will discuss that with him. Again, I emphasize to you that we certainly found today's experience very helpful to us. Many of us have discussed the problems that you have brought before us, but it is one thing to discuss them removed, as we are here in the Committee room, and it is another thing to have

the people vitally concerned with them, such as yourselves, come before us. It is for me and, I know, for all members of the Committee, a very helpful experience in broadening our perspective on the problem.

I want to thank you for coming. I know that you have come at your own expense, and from a great distance, and it shows your interest. I do hope that it will not be completely without result in the end but, again, I am sure you appreciate that as a committee of the House of Commons we do not recommend on specific areas, but on broad policy matters.

Perhaps, in conclusion, one of your group would like to say something before we adjourn.

Mr. SCHMALTZ: On behalf of the group I would like to thank you, Mr. Chairman, and members of the Committee for the very favourable reception we have had here. We realize, that all the Committee can do is to listen to us and make recommendations, and I think we have had a very fair hearing. Again, I want to express my thanks.

The CHAIRMAN: There is another thing involved in this, which somebody mentioned, and that is a program of decentralization of industry, which is something else that you are talking about here. This program is not now in that sense, per se, a program for the decentralization of industry. I mention this to illustrate the difficulties involved in this kind of program dealing primarily with unemployment as it existed in a more severe way a couple of years ago. Now we are coming to more sophisticated and more complicated matters that probably are going to take time and co-operation between federal and provincial governments to deal with.

Thank you very much gentlemen.

Appendix 7

BRIEF

Re: Designated Areas

presented to

THE STANDING COMMITTEE ON INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

March 2, 1967

When the Federal Government introduced Designated Area Legislation to relieve the ills of unemployment it did so after much research and study. The diagnosis was thorough as far as available statistics were concerned.

The case parallels a doctor's diagnosis of a patient but there the similarity ends.

The doctor, with the interests of his patient at heart, prescribes limited doses of a prescription to restore the patient to health and well being. The prescription is limited and is to be repeated only if necessary. An overdose could be fatal.

Designated Area Legislation could work in the same manner. An overdose of the remedial effects of the legislation can reverse the cure and create new problems, almost as great as the original one of unemployment.

The Owen Sound N.E.S. Area could be cited as an example.

On July 31, 1965 there were 748 persons registered for employment, 407 males and 341 females. As a result of the benefits of designation 1,575 industrial job opportunities have been provided. As well 1,842 service workers will be required bringing the number of new jobs to 3,417. The resulting condition has required the Owen Sound N.E.S. office to advertise out of its area for workers even though some of the proposed plants are still on the drawing board.

When the number of opportunities created far outstrips the manpower available, workers are in a position to sell themselves to the highest bidder, a condition constituting a direct inflationary threat.

This condition also leads to relocation of the work force, but if a "ceiling" should be placed on the conditions under which an area remains designated there would be fewer necessities for the Department of Manpower to move people.

The petitioners present the following suggestion which they believe would spread the already-proven benefits of Designated Area Legislation to other problem areas of Canada.

It is recommended that when an area is designated according to the present formula based on percentage of registered unemployed, that the area remains designated until job opportunities created by incoming industry are equal to ninety per cent of the registered unemployed at the time of designation.

It is recommended that the minister then re-designate the area and make benefits available to those National Employment Service areas next in line by reason of their unemployment.

Ontario government statistics point out that for every 100 industrial workers gained by an area, 117 additional workers were required in the area to service them. The non-industrial positions created would more than make up for the ten per cent not covered by industrial opportunities.

It is the belief of the submitting municipalities that slow growth which characterises this area is further aggravated by its proximity to the designated area.

This slow growth has resulted in average per capita earnings and average family incomes far below the national average. The problem is a national one and one requiring national remedial action.

Unemployment statistics do not reveal the true industrial plight of this area, do not show the grave need for inducing industry to the region just to keep conditions from deteriorating further, let alone bring the area's economy in line with the national average.

A large proportion of persons native to the area are forced to go elsewhere to secure employment so that a disproportionate percentage of residents of the area are of student or post-employment age and as such are not registered for employment.

The low proportion of industry in the area results in low municipal assessments. This places an increased burden on property owners required to maintain municipal tax rates, a burden that is particularly onerous on older, retired property owners on fixed incomes.

Increasing costs of education are a problem to all levels of government but for these slow growth areas are particularly burdensome. Elementary and secondary education must be provided for a larger proportion of the population making education costs proportionately higher than in areas of average industrialization.

On completion of schooling a large percentage of community members must leave the area to secure employment. The educational costs problem is then aggravated as the municipalities have tax revenues from neither the industries which the municipal education prepared the worker for nor from the residences they would require if employed at home.

Because of the dearth of industry in the area, municipal financing has become a frustrating circle and like from a stone dropped into water, the expanding circles detrimentally involve all other economic facets of community life.

Lack of industrial assessment to share the tax loads result in increasing taxation on business assessment which must result in higher prices to the consumer. This means an added burden to the householder who already is paying a larger proportion of municipal taxes because of the lack of industrial assessment.

The submitting municipalities believe that many of the dire financial problems of their residents could be resolved if their industrial development were to approach that of the national average.

They request incorporation in the Designated Area Program as a means to bring the area's economy to standards enjoyed by the rest of the nation.

SCHEDULE A

Mildmay
Teeswater
Lucknow
Shelburne
Durham
Kincardine
Clinton
Parkhill
Grand Valley
Neustadt
Wingham
Brussells
Harriston
Drayton
Orangeville
Arthur
Milverton
Hanover
Mount Forest
Palmerston
Goderich
Clifford
Walkerton
Listowel
Seaforth
Elderslie Twp.
W. Wawanosh Twp.
Bentick Twp.
Amaranth Twp.
Carrick Twp.
Bruce Twp.
Arthur Twp.
Cubross Twp.
Proton Twp.
Normandy Twp.
Melancthon Twp.
Grey Twp.
W. Luther Twp.
E. Luther Twp.
Turnbury Twp.
Howick Twp.
Minto Twp.
Brant Twp.
Kinloss Twp.
County of Wellington
County of Dufferin
County of Huron

Herewith Ontario's major new industrial projects, each involving expenditures of $100,000 or more, publicity announced between mid-1965 and mid-1966. The numbers beside the place-names are the total of the new projects in each community. Details and outlays listed on p. 0-4.


Georgian Bay
Lake Huron
U.S.
L. St. Clair
Lake Erie
MIDLAND 2
OWEN SOUND 5
ORILLIA 1
PORT ELGIN 1
COLLINGWOOD 2
BARRIE 1
AURORA 1
BRAMALEA 2
FERGUS 1
BRAMPTON 2
TORONTO 21
GUELPH 1
GEORGETOWN 1
TORONTO T
WATERLOO 1
OAKVILLE 2
STRATFORD 1
KITCHENER 5
GALT 2
BURLINGTON 7
HAMILTON 7
WOODSTOCK 1
SARNIA 1
BRANTFORD 4
ST. CATHARINES 1
LONDON 3
THOROLD 1
COURTRIGHT 1
TILLSONBURG 1
TALBOTVILLE 1
ST. THOMAS 2
WALPOLE TWP. 1
PORT COLBORNE 1
WALLACEBURG 2
CHATHAM 3
WINDSOR 3
SANDWICH EAST 1
AMHERSTBURG 1
LEAMINGTON 1

POPULATION TRENDS BY TOWNSHIP—WESTERN ONTARIO

Township	1901	1931	1951	1956	1961	%
Bentinck	3,551	2,264	2,124	2,136	2,226	37
Egremont	3,607	2,311	2,051	2,036	1,939	46
Amaranth	2,798	1,673	1,581	1,612	1,643	41
Garafraxa East	1,895	1,115	1,061	1,135	1,143	39
Bruce	3,109	1,660	1,369	1,362	1,306	58
Arthur	2,961	2,057	1,628	1,693	1,717	42
Culross	2,955	1,958	1,732	1,811	1,769	40
Proton	3,378	2,091	1,735	1,648	1,617	52
Normanby	4,630	2,788	2,476	2,516	2,384	48
Melancthon	3,831	2,571	2,289	2,275	2,147	46
Grey	3,557	2,311	1,967	1,936	1,909	46
West Luther	2,207	1,419	1,224	1,228	1,252	43
East Luther	1,698	1,049	902	854	885	48
Turnbury	2,141	1,517	1,381	1,373	1,466	34
Howick	4,140	3,130	2,859	2,810	2,758	33
Minto	3,128	2,255	2,084	2,082	2,077	34
Brant	4,349	2,627	2,721	2,695	2,800	36
Elderchie	2,458	1,542	1,336	1,259	1,214	51
West Wawanosh	2,218	1,458	1,190	1,176	1,177	41

POPULATION TREND—TOWNS AND VILLAGES

	1901	1931	1951	1956	1961	%
Seaforth	2,245	1,686	2,118	2,128	2,255	same
Listowel	2,693	2,676	3,469	3,644	4,002	50
Mildmay	—	685	847	870	847	23
Teeswater	930	792	797	866	919	same
Lucknow	1,111	973	908	962	1,031	1
Shelburne	1,188	1,077	1,184	1,245	1,239	same
Durham	1,422	1,750	1,839	2,067	2,188	54
Kincardine	2,077	2,465	2,672	2,667	2,841	37
Clinton	2,547	1,789	2,547	2,896	3,491	37
Parkhill	—	—	—	—	—	—
Grand Valley	751	591	628	655	634	same
Neustadt	—	455	481	490	493	same
Wingham	—	—	—	—	—	—
Brussels	—	—	—	—	—	—
Harriston	1,637	1,296	1,494	1,592	1,631	same
Drayton	791	558	541	573	646	18 down
Orangeville	2,511	2,614	3,248	3,887	4,593	83
Arthur	1,285	1,021	1,088	1,124	1,200	same
Milverton	698	983	1,055	1,070	1,111	59
Hanover	1,392	3,077	3,533	3,943	4,401	216
Palmerston	1,850	1,543	1,573	1,550	1,554	16 down
Goderich	4,158	4,491	4,931	5,886	6,411	45
Clifford	608	437	510	533	542	11 down
Walkerton	2,971	2,431	3,264	3,698	3,851	30
Mount Forest	2,019	1,801	2,291	2,438	2,623	30

AVERAGE INDUSTRIAL WORKER EARNINGS (1961)

	Female	Male
	$	$
Seaforth	1,804.00	2,838.00
Listowel	1,582.00	3,141.00
Lucknow	1,822.00	2,889.00
Shelburne	1,642.00	2,790.00
Durham	1,397.00	2,931.00
Kincardine	1,830.00	3,479.00
Wingham	1,546.00	3,466.00
Harriston	1,302.00	3,016.00
Orangeville	1,604.00	3,499.00
Milverton	1,603.00	3,013.00
Hanover	2,081.00	3,432.00
Palmerston	1,678.00	3,257.00
Goderich	1,641.00	3,501.00
Walkerton	1,848.00	3,264.00
Mount Forest	1,464.00	2,843.00

Government
Publications

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966-1967

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. RICHARD CASHIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 16

THURSDAY, MARCH 9, 1967
FRIDAY, MARCH 17, 1967

Respecting

The subject-matter of the designated area programme and the criteria thereunder.

INCLUDING

1. Eighth Report to the House
2. Index to Witnesses
3. Index to Appendices
4. Index to Exhibits

WITNESSES:

***From** the Northeastern Ontario Regional Development Council, North Bay, Ontario:* Messrs. Leo DelVillano, Vice-President, John Cram, Cobalt, Ontario and A. C. Kilgour, North Bay, Ontario.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

25624—1

MAY - 4

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Richard J. Cashin

Vice-Chairman: Mr. Ovide Laflamme

and

Mr. Beaulieu,
Mr. Bower,
Mr. Chatwood,
Mr. Davis,
Mr. Faulkner,
Mr. Forest,
Mr. Fulton,
Mr. Goyer,
Mr. Grafftey,
Mr. Hales,
Mr. Latulippe,
Mr. Legault,
Mr. Lind,
Mr. McCutcheon,
Mr. O'Keefe,
Mr. Peters,
Mr. Reid,
Mr. Saltsman,
Mr. Scott (*Victoria* (*Ont.*)),
Mr. Sherman,
Mr. Wahn,
Mr. Whelan—(24).

D. E. Levesque,
Clerk of the Committee.

Mr. Asselin (*Richmond-Wolfe*) replaced Mr. Whelan on March 16, 1967.

Mr. Jamieson replaced Mr. O'Keefe on March 16, 1967.

REPORT TO THE HOUSE

TUESDAY, March 21, 1967

The Standing Committee on Industry, Research and Energy Development has the honour to present its

EIGHTH REPORT

Pursuant to its Order of Reference dated Friday, June 3, 1966, your Committee had before it the following matter for consideration and report:

> "That the Standing Committee on Industry, Research and Energy Development be empowered to consider the subject-matter of the designated area programme and the criteria thereunder."

Your Committee held 5 meetings and heard evidence from the following witnesses on the aforementioned matter. The witnesses heard were:

1. The Honourable C. M. Drury, Minister of Industry and Minister of Defence Production.
2. Mr. S. S. Reisman, Deputy Minister of Industry.
3. Mr. W. J. Lavigne, Commissioner, Area Development.
4. Mr. J. A. Teeter, Deputy Commissioner, Area Development.
5. Mr. F. V. S. Goodman, Special Assistant to the Minister of Manpower and Immigration.
6. Mr. Harry Bridle, Chairman of the Designated Areas Committee of Mount Forest, Ontario.
7. Mr. Ross McLellan, Secretary of the Designated Areas Committee of Mount Forest, Ontario.
8. Mr. Dan Murphy, Goderich, Ontario.
9. Mr. Arnold Patterson, Mayor of Orangeville, Ontario.
10. Mr. E. B. McInnes, Hanover, Ontario.
11. Mr. H. F. Noonan, Clinton, Ontario.
12. Mr. Dave Kilberg, Listowel, Ontario.
13. Mr. William Irwin, Palmerston, Ontario.
14. Mr. C. Schmaltz, Walkerton, Ontario.
15. Mr. Leo DelVillano, Vice-President of the Northeastern Ontario Regional Development Council, North Bay, Ontario.
16. Mr. John Cram, Cobalt, Ontario.
17. Mr. A. C. Kilgour, North Bay, Ontario.

In view therefore of the present status of, and having completed its inquiry pursuant to the said Order of Reference, your Committee reports:

(a) That the Minister of Industry outlined to the Committee the objectives of the Area Development Agency's incentive programme. The Minister told the Committee that the fact that the Department of Industry was established during a period when chronic unemployment was of concern to the Government largely determined the character of the Area Development programme as it exists today.

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The Government introduced this programme to encourage industrial development to take place in those areas where conditions of unemployment were chronic and severe. There was no intention in this legislation to embark upon a programme of industrial development on a national basis. The concern of the programme has been with those areas of chronic unemployment and slow employment growth. The Area Development legislation does not provide for a comprehensive programme of regional development as such. Rather the approach has been to designate, for purposes of this programme, those areas wherever they exist in the country, that are shown by the official statistics to have problems of unemployment and associated conditions that are severe and long-standing.

It is a fact of economic life that localities within a province, and even provinces as between themselves, are often competitors for the opportunities for industrial growth that are available to Canada as a whole. Thus the Federal Government ought to avoid any element of involvement in this competition and must proceed with caution and study in any programme that has regional implications.

The legislation of 1963 provided for a review of the areas that were designated in order to determine the continued eligibility for benefits. At the same time, the Department reviewed the programme and made certain changes, both in the criteria in designation, and in the form of assistance available to industry locating in designated areas.

In some designated areas the response of industrial expansion was very marked and employment gains quickly alleviated the conditions of unemployment which had led to designation in the first instance. As a result of this, the review of the programme led to the removal of three NES areas from the list of designated areas.

A further dimension of the Area Development programme consists of its relation to the regional development plans of the Province. The Minister endorsed the principle that programmes of each level of government should be harmonized and particularly in the area of regional development. This should be subject to the responsibility of each level to take action when it is required to do so. The Minister expressed the intention of maintaining the fullest degree of consultation with those Provinces that see this programme as being related to their own programmes for regional development. To this end the changes that were introduced with regard to the new criteria were done so last year only after an extensive round of consultation with the Provinces. On the matter of coordination of the Area Development programme with related policies at the Provincial level, the Minister pointed out that this same problem of coordination exists within the Federal Government itself. Those Federal programmes which have implications for regional development include the ARDA programme, the Atlantic Development Board and certain programmes administered by the Department of Manpower and Immigration. The Minister expressed the view that these programmes complement one another in helping to achieve the objective of full employment across Canada.

The Minister outlined to the Committee some of the results that the programme has achieved. As of September 30, 1966, a total of 798 applications

had been received from firms stating their intentions to establish in designated areas. Of this number, 620 applications had been approved, or were under consideration, and another 23 had been reserved for final decision.

As of September 30, 1966, the total capital investment represented in active applications amounted to very close to $1¼ billion. The new jobs to be created directly by these investments will be over 40 thousand.

The Minister concluded his report by stating that the Department was conscious of certain imperfections. However, the Department has undertaken a comprehensive programme of studies and development work of their own to try and overcome these limitations. They are examining the possibility of finding a basic geographic unit for designation other than the NES area which would allow the drawing of a fine line in marginal areas. This problem is being investigated with officials of the Dominion Bureau of Statistics and other agencies concerned.

A review of the programme by the Department is underway and approaching completion. As a result of this it was indicated that there may be possible changes in designated areas before April 1, 1967.

(b) The Committee heard representations on some of the problems associated with the Area Development programme from two interested groups in addition to other aspects which were raised by the members of the Committee themselves.

The Committee heard evidence from a delegation representing 47 municipalities in the four Western Ontario Counties of Bruce, Wellington, Huron and Dufferin.

The views of this delegation might be summarized by saying that they were concerned about the lack of new industry that has been attracted to their municipalities over the last few years. The rate of industrial growth in these four Counties is slower than in the larger metropolitan areas of Ontario.

They also were concerned about the adverse effect which the designation of the Georgian Bay area has had on these four Counties. They pointed out that the designation of the Georgian Bay area, while within a separate NES area, was really only part of a larger more natural economic or geographic unit, which included the four above mentioned Counties. They maintained that any new industry interested in their four Counties would be strongly influenced to locate in the Georgian Bay area because of the incentives they would receive and because there were no other significant factors which, for the purposes of industrial development, distinguished these four Counties from the Georgian Bay area.

They thus asked that these four Counties be designated so as to make them competitive with the Georgian Bay area.

They recognized that this could not be done under the present legislation and specifically recommended a change in the legislation that would permit designation of an area in which the average non-farm family income is below $4,600.00, rather than below $4,250.00, or in the alternative rather than using a basis of annual family income, to use the basis of the average industrial income for individual workers.

It seemed to the Committee that other areas in Canada in a similar position to the four above mentioned Counties might make similar suggestions.

The basic problem arising from this situation arises from the designation of areas on the basic of NES areas rather than an economic or geographic area.

It also illustrated to the Committee that in certain instances, the designation of any area could conceivably have or appear to have an adverse effect on the adjoining area. Another problem raised by this delegation from Western Ontario, which the Committee felt might be universally applicable related to the desire of each municipality to attract as much industry as possible in order to reduce the municipal tax burden on home owners.

The Committee acknowledges that this is a whole new area for discussion and one that is not within its terms of reference. However, the Committee felt that this concern about industrial growth, in order to alleviate the municipal tax burden was a major factor in the competitive activities of various areas of the country in attempting to attract industry.

Further representations were made to the Committee by representatives of the North Eastern Ontario Regional Development Council. While much of the comment of this delegation was similar to that heard previously by the Committee, they did illustrate that there were some differences in their concern with the Area Development Agency's incentive programme. These differences are largely attributable to the geographic position of Northern Ontario and to its reliance on primary industries. Their basic desire was to have a programme which would help stimulate the growth of secondary industries in Northern Ontario. They pointed out that in the past when at least one part of Northern Ontario was designated under this programme, it was not as successful in attracting industry as the programme had been in other areas of Canada.

Their representations may be summarized by saying they felt that all of North Eastern Ontario should be designated as an area for regional development. While they recognized that the accomplishment of this end involved more than its being designated by the Area Development Agency, they felt that this would be one important aspect of any programme of regional development. They too, felt the criteria should be broadened to accomplish this. They pointed out that unemployment generally was not as great a problem as is the problem of outward migration, and slow economic growth. It appeared to the Committee that what they were really saying was that there should be a policy aimed at attracting secondary industry to regions such as Northern Ontario which have traditionally been areas of resource development.

(c) The Committee recognizes the inherent difficulties involved in designating a programme that will successfully resolve all the problems that were raised. It further recognizes that the Area Development Agency's programme is but one instrument to cope with the problem of unemployment and slow economic growth. Some of these problems arise from the possible differences in the objectives of economic regions and national objectives. A further difficulty may arise from disparities within the same economic region. The Committee was encouraged to note that the Department is examining the possibility of finding a basic unit for designation other than the NES area. It was the view of the Committee that NES area do not necessarily approximate natural geographic or economic units.

The Committee is also aware of the fact that a further difficulty arises as a result of the great difference that exists between areas of the country where the rate of industrial growth and economic development has been slower than in major industrial centres.

For example, the problems of economic development and industrial growth in Western Ontario and certain parts of the country are different from those areas of Canada which have historically experienced high unemployment, slow economic growth and a standard of living substantially below the national average. The question is then raised as to the difficulties involved in a programme that treats both areas like Western Ontario on the one hand, and Eastern Quebec and the Atlantic Provinces on the other, in exactly the same manner. The former situation suggests that there are pockets or areas in Canada which are relatively close to highly industrialized areas, but which nevertheless have not experienced the same level of development. The latter situation involves areas which have more fundamental problems. There are also regions such as Northern Ontario which share a common problem with Eastern Quebec and the Atlantic Provinces arising from their geographic position, away from the centre of industrial activity in Canada.

This is also true in varying degrees of Western Canada. This surely suggests one obvious complexity facing anyone charged with the administration of the present programme or anyone attempting to change the present programme, namely, the fact that it is expected to do different things in different areas of Canada.

The Committee feels some of the basic problems raised by both individual members and by the two delegations who made representations, are involved in part at least, with the concept of regional economic development. Before any changes could be made in the programme to meet some of the problems enunciated above, and particularly with regard to the concept of regional development and regional planning, there must be the fullest possible discussion and consultation with the Provinces.

In view of the foregoing, the Committee would respectfully submit the following recommendations:

1) That the Department of Industry continue its review of this programme with particular reference to the criteria to be followed in designating areas;

2) That at a future date a further opportunity be given to this Committee to further examine the programme of the Area Development Agency.

A copy of the relevant Minutes of Proceedings and Evidence (Issues Nos. 10, 11, 13, 15, 16) will be tabled later.

Respectfully submitted,

RICHARD CASHIN,
Chairman.

ORDER OF REFERENCE

THURSDAY, March 16, 1967.

Ordered—That the names of Messrs. Asselin (Richmond-Wolfe) and Jamieson be substituted for those of Messrs. Whelan and O'Keefe on the Standing Committee on Industry, Research and Energy Development.

Attest

LÉON-J. RAYMOND,
The Clerk of the House of Commons.

MINUTES OF PROCEEDINGS

THURSDAY, March 9, 1967.
(19)

The Standing Committee on Industry, Research and Energy Development met this day at 9:45 o'clock a.m. The Chairman, Mr. Cashin, presided.

Members present: Messrs. Bower, Cashin, Chatwood, Faulkner, Legault, O'Keefe, Peters, Whelan, Wahn (9).

Also present: Mr. Murdo Martin, M.P. (*Timmins*).

In attendance: *From the Northeastern Ontario Regional Development Council:* Messrs. Léo DelVillano, Vice-President; C. H. Hewitt, General Manager; John Cram, Cobalt, Ontario; A. C. Kilgour, North Bay and T. A. McGuire, North Bay, Ontario. *From the Department of Industry*: Mr. Gordon Haase, Senior Economist.

The Chairman introduced the witnesses and asked them to make their representation to the Committee.

The Committee proceeded to the questioning of the witnesses.

At 12:25 o'clock p.m., the examination of the witnesses being concluded, the Chairman adjourned the Committee to Thursday, March 16, 1967.

FRIDAY. March 17, 1967.
(20)

The Standing Committee on Industry, Research and Energy Development met this day, IN CAMERA, at 9.40 o'clock a.m. The Chairman, Mr. Cashin, presided.

Members present: Messrs. Cashin, Faulkner, Forest, Jamieson, Laflamme, Legault, McCutcheon, Lind, Peters, Reid, Wahn (11).

The Committee proceeded to study a Draft Report to the House.

After discussion it was moved by Mr. Faulkner, seconded by Mr. Wahn,

Resolved—That the Chairman present the said report as the Committee's EIGHTH REPORT to the House.

At 9.50 o'clock a.m., the Chairman adjourned the Committee to the call of the Chair.

D. E. Levesque,
Clerk of the Committee.

APPENDIX

INDEX TO:

	Issue No.	*Page No.*
WITNESSES		
The Honourable J. L. Pepin, Minister of Mines and Technical Surveys	1	8
	9	237
	12	323
The Honourable C. M. Drury, Minister of Industry and Minister of Defence Production	8	209
	10	261
	11	291
	14	387
Mr. J. P. Drolet, Assistant Deputy Minister (Mines)	1	26
	2	39
	5	129
Mr. R. B. Toombes, Acting Chief, Mineral Resources Division	1	27
Dr. John Convey, Mines and Technical Surveys Dept.	2	36
Mr. R. B. Code, Mines and Technical Surveys Dept.	2	36
Dr. Y. O. Fortier, Mines and Technical Surveys Dept.	2	36
Dr. J. M. Harrison, Assistant Deputy Minister, Mines and Technical Surveys	3	71
	4	93
Dr. J. D. Ives, Geographical Branch, Dept. of Mines and Technical Surveys	3	61
Dr. J. H. Hodgson, Dominion Observatories Branch, Dept. of Mines and Tech. Surveys	3	64
Mr. K. M. Pack, Director of Administration, Dept. of Mines and Tech. Surveys	3	77
Dr. W. M. Cameron, Director, Marine Science Branch	4	105
Mr. T. M. Patterson, Director, Water Resources Branch	4	92
	5	127
Dr. A. T. Prince, Director, Water Research Branch	4	93
	5	122
Mr. E. W. Humphrys, General Manager, Northern Canada Power Commission	5	133
Mr. N. G. Gray, Dept. of Mines and Tech. Surveys	5	129
Honourable J. Watson MacNaught, Chairman, Dominion Coal Board	6	143
Mr. G. W. McCraken, Dominion Coal Board	6	153
Mr. A. Brown, Dominion Coal Board	6	148
Mr. Lovett, Dominion Coal Board	6	149
Mr. J. W. McNeil, Director, Resources Development Branch, Dept. of Mines and Tech. Surveys	7	171
Mr. Ian N. McKinnon, Chairman, National Energy Board	7	175
	8	323
Dr. B. G. Ballard, President, National Research Council	8	211
Dr. G. M. Brown, Chairman, Medical Research Council	8	212
Mr. Buck, Dept. of Mines and Tech. Surveys	9	249
Mr. S. S. Reisman, Deputy Minister, Department of Industry	10	281
	14	404

INDEX TO:

	Issue No.	Page No.
WITNESSES		
Mr. W. J. Lavigne, Commissioner, Area Development Agency	10	278
	11	305
	13	356
Mr. J. A. Teeter, Deputy Commissioner, Area Development Agency	10	280
	13	358
Mr. F. V. S. Goodman, Special Assistant to the Deputy Minister of Manpower and Immigration	13	361
Designated Area Committee of Mount Forest:		
Mr. Harry Bridle, Chairman	15	
Mr. Ross McLellan, Secretary	15	
Mr. Dan Murphy, Goderich, Ontario	15	
Mr. E. B. McInnes, Hanover, Ontario	15	
Mr. H. F. Noonan, Clinton, Ontario	15	
Mr. Dave Kilberg, Listowel, Ontario	15	
Mr. William Irwin, Palmerston, Ontario	15	
Mr. Arnold Patterson, Orangeville, Ontario	15	
Mr. C. Schmaltz, Walkerton, Ontario	15	
Northeastern Ontario Regional Development Council:		
Mr. Leo Del Villano, Vice-President	16	
Mr. John Cram, Cobalt, Ontario	16	
Mr. A. C. Kilgour, North Bay, Ontario	16	
APPENDICES		
1. Grants awarded by National Advisory Committee on Geographical Research for 1966–67	3	83
	3	84
2. Department of Mines and Technical Surveys (Statement of Estimates and Expenditures)	3	85
3. Department of Mines and Technical Surveys (Sea-Ice Surveys)	5	137
4. Canadian Coal Mines Operating Costs and Revenues 1964	6	164
5. Subvention Payments Made in 1965–66 Re: Movements of Nova Scotia Coals	6	167
6. Difference in Laid Down Costs 1964 At Montreal—Nova Scotia Coal	6	167
7. Brief, Tables and Graph Re: Designated Areas of Mount Forest, Ontario	15	

EXHIBITS

The following exhibits were ordered filed with the Clerk of the Committee for safe keeping:

1, 2, 3 and 4. Maps showing the delineation of the Polar Continental Shelf.

5 and 6 *a*) Sea-Ice Survey, Queen Elizabeth Islands Region, Summer of 1962,
b) Gulf of St. Lawrence Ice Survey, winter of 1962.

7. *a*) Extracts from the Corporations and Labour Unions Return Act,
b) Report for 1962 concerning Mineral Fuels, Petroleum and Coal products.

8. Estimated capital costs of the Great Lakes Project on a basis comparable to the costs of the Northern Ontario Route.

EVIDENCE

(Recorded by Electronic Apparatus)

• (9.50 a.m.) THURSDAY, March 9, 1967

The CHAIRMAN: Order. Well, gentlemen, we have with us this morning three representatives of the Northeastern Ontario Regional Development Council; Mr. DelVillano, Mr. Kilgour and Mr. Cram. We will follow the same procedure which we followed when we had a delegation from western Ontario before us. We will ask these gentlemen at the outset to give us an outline of their representations in order that they may comment, and then we will throw the meeting open for questions or comments from the members. I will first call on Mr. Cram, but before I do I would ask that you make sure you have a microphone in front of you when you speak. Also, would you first state your name because these proceedings have to be transcribed. I will call on Mr. Cram to outline the presentation of the group.

Mr. JOHN CRAM (*Northeastern Ontario Regional Development Council, Cobalt, Ontario*): Mr. Chairman and honourable members, my name is John Cram and I am from Cobalt, Ontario, which is in the riding of Timiskaming. My specific interest in life is operating a smelter and refinery for the silver fields area.

At this Committee hearing I represent the Northeastern Ontario Regional Development Council as second vice-president. We have with us Mr. DelVillano, who is first vice president. Our president, Mr. Austin Hunt, was unable to attend. Just before noon yesterday I was asked by our general manager, Mr. Cecil Hewitt, who is also here, if we could attend. I hope you realize that so far as presentation is concerned, this is a little bit of a fast ball.

I would like to express our appreciation to Mr. Peters, the member from Timiskaming, for inviting us to attend. I am the only one present from his riding. We have representatives from Cochrane South and from Nipissing, which does not cover our whole riding but, because of the limitations, we could not do better.

We are not even sure of the terms of reference of your Committee, but we understand they have to do with designation, industrial development and associated problems, and as such we will try to give you some of the opinions of the Northeastern Ontario Regional Development Council. We have been working fairly closely with them in trying to find, if possible, some answer to these problems and we will give you our local points of view. As some of you have heard—and some of you took part in—this committee of the north was originally organized by Mayor Dickerson of North Bay and it attended in Ottawa twice. They also made a presentation to the Cabinet of Ontario a while ago along with the Northeastern Ontario Regional Development Council. We have this report which we can leave with you. It is aimed at the problem from a provincial level. Many of the problems that we have are probably provincial, but I think that probably you as well as ourselves now know that out in the regions that designation, as it is now set up, is to a large extent "for the birds". It is not accomplishing the purpose for which it was intended. Perhaps it was intended to do

something but it ended up, as so many things often do, far away from having machinery capable of giving you what is required.

Although we realize that this problem is countrywide, I do not think the problems are specific to us, they are nationwide, we feel in northern Ontario that that designation just has not done a darn thing for us, and yet this is a development area. I think, to start off, that we should do something about it in this centennial year, which is 100 years from the time when they brought some of the country together, and a lot of it was primarily so that it could be developed, and people like the first prime minister, Sir John A. Macdonald, had the dream of the development of Canada. They invested and raised and mortgaged the future to no end to put a railway across the hinterland, where there was nothing but buffalo and Indians and a few settlers around Winnipeg and in Saskatchewan. What happened was that Canada was developed as a country because we provided the facilities to develop it. I am afraid that now, 100 years later, we are sitting with 90 per cent of the voting population—which in effect is the government—in areas such as the Niagara peninsula, the golden horseshoe, the area around Montreal and a few others, where they are living in the second most prosperous part of the world and they are not particularly interested in development unless they are investing, and that is not a large number.

Perhaps on the 100th anniversary of this country, which started out with a developing nature, we are about due to realize that we need to start developing for the next 100 years, and that the funds that are going to be funnelled into this are going to pay off at the 200th anniversary, just as they have done right now after a hundred years have passed.

I think we have to start thinking about this, and up in our area, as in many other areas, we have a large number of natural resources, but because of them we are handicapped. We have an economy which is a raw resources economy and as far as transportation and subsidies and everything else is concerned we are given a great many advantages in shipping these materials out to the manufacturing areas, but when it comes to trying to develop the country for industry or agriculture we de not get too much encouragement.

If you consider agriculture and look at what is happening in southern Ontario or Quebec or along the St. Lawrence you will see that we are taking all the good agricultural lands—not quite all, but we are fast approaching it—out of production to build new sub-divisions and industrial complexes. Twenty-five years from now we are going to be looking for places to grow things, and yet the people from up around Timmins, Cochrane and Mattawa that try to get into farming cannot do it economically because of the density of the population. Whether we like it or not, I think we are going to have to develop these areas to get food, not only from the ground but also beef and hogs, and so on. If it is going to be developed we have to go back to what they did one hundred years ago, provide the means whereby these people can do it economically. Now, this is the principle that struck me through all our studies on it. Without getting into too much detail, on this matter of designation—and this is a personal opinion, I do not think everyone agrees with me—it is widely felt by a lot of people that we should have designation of the north, period. Well, of course, somebody down in Nova Scotia may say they should have designation of Nova Scotia, but if we did designate the north, does this mean that firms such as INCO are going to get the advantage of it They are already getting a considerable number of advantages. Perhaps under another name

some development system could be worked out, and not necessarily in all types of industry, maybe there is enough assistance to some of the raw natural resources industries, but perhaps we need some assistance that is specific for the development of what is commonly called secondary industries or production of finished goods or agriculture in the outlying areas.

Now, there are all sorts of points one can enlarge upon. I do not think I should say any more at this time. We will try to follow this up with a brief which will utilize material which we have submitted to the provincial government, as well as to ourselves, on previous occasions, but aimed at an over-all point of view. Thank you, Mr. Chairman.

The CHAIRMAN: Mr. Kilgour, do you have any comments to make at this time?

Mr. A. C. KILGOUR (*North Bay, Ontario*): Yes, Mr. Chairman. Thank you. My name is A. C. Kilgour, and I actually do not represent the Northeastern Development Association but, rather, the Northeastern Ontario Chambers of Commerce and I am president of that association. My vocation is real estate in North Bay. I concur with many of the things that Mr. Cram has pointed out.

I think, as far as designated areas are concerned, that they represent a very unfair type of competition to the undesignated areas. We have seen this on innumerable occasions in northern Ontario, and I think it applies to any undesignated area in the north of Canada. I think in the first hundred years of Confederation we have developed a borderland with the United States which is not more than 100 miles deep and I would like to think, in line with what Mr. Cram has already mentioned, that the next hundred years might belong to the next 100 miles. I think we have the resources for development and I also think that with the population explosion that is foreseen occurring in the world that it would be better to have a development by Canadians and invited guests rather than to have people come in and develop it for us. I do not think the world 50 years from now would allow a vacuum, such as we presently have in Canada, to occur for very many years. It just cannot be. We cannot be so selfish as to believe that we will not have 25 or even 35 million people in 50 years occupying this area where we are located, which consists of some of the best lands which exist on this globe. So, I think it would be better to have an invited dinner guest than somebody else coming in, otherwise we will be up to our armpits in black, yellow and brown races. I do not think we can avoid that and I think we should realize that we cannot selfishly expect to occupy this amount of the world without bringing in immigrants in large quantities. The most prosperous times in the United States—and in Canada, for that matter—were times of high import of citizens.

We have the facilities. We have an overabundance of railways but we are busy closing them down. Why do we not use them and put people on them? We seem to have an idea that we should be subsidized in some manner. Designation of areas is a subsidy to industry in those areas. We have the necessary water resources to produce hydro, and the country is now spending vast sums of money on developing high voltage lines to take our power out of the north country to the south. Similarly, we are bringing gas from the west through northern Ontario. I know this is a point that Mr. Peters has been dwelling on at length in the house. We are close to the source of both electrical power and gas, and yet we are not enjoying any special rates because of the fact that we are close to those sources. Rather, there is an equalization and the people in southern Ontario enjoy the same electrical rate as we do in northern

Ontario. I think this applies pretty well across the whole of Canada. The people in the north are subsidizing the people in the south by giving them an equalized rate on power and gas rates, etc; and this occurs not only in the north but in the west. We do not get a preferential rate. Ordinarily, if it was not an artificial control, we would have cheaper power than the people that are further away from the source, and yet we do not have this cheaper power.

Well, I have not gone into this, but I think these figures could easily be applied. The cost of the new high voltage lines is running into the billions in Canada, not only in Quebec hydro but in Ontario hydro as well, and Manitoba hydro are developing high voltage lines at a very great cost to transport our power from the north for the benefit of the people in the south, and rightly so, but possibly not at an equalized rate. If we are going to have equalized rates and do the subsidizing, then I think we should not be ashamed to say that we should receive a subsidy in some other form to compensate for this.

In the armed forces and in banks, and so on, over the years there has been what is known as isolation pay. This is what it is called in the American Army and I believe in the Canadian Army as well. The banks pay their tellers more in Kapuskasing than they do on Yonge Street because they are isolated.

Mr. O'KEEFE: We are isolated in Newfoundland, as well, you know.

Mr. KILGOUR: Apart from that first hundred miles of develoment, everybody else in this country is isolated. I do not call it the badlands, I call it the borderlands, and I think we can be proud of our development along that border of Canada, but we must be prepared to develop further north. The Russians and the Swedes do it; why cannot we do it? Cochrane is considered to be situated in the northerly portion of northeastern Ontario, and yet few people realize that Cochrane is no further north than Winnipeg and it is quite a bit further south than Edmonton. We are not taking advantage of this fact, and perhaps this is a matter that should be given more publicity and promotion.

Rather than designation, I would like to suggest—and I throw this out as a starting point—that we allow those people north of the first hundred miles of the borderland, and any industry producing other than prime products, a 15 per cent tax cut across the board. I do not mean that it should be given to INCO or to Texas Gulf—as illustrations in our area—but any person who fabricates or produces products other than prime products be given an isolation grant of possibly 15 per cent on income tax, corporation tax, sales tax, etc. We are at a disadvantage in that we are presently subsidizing the south in certain respects, and I would like to hope that possibly the next hundred years will be used to develop another hundred mile strip across Canada.

The president of Rambler Motors mentioned in the car coming down last night that Canada is a strip 100 miles wide and 3,000 miles long, and I do not think this situation can exist very long in the world today. As Mr. Cram said, we benefited greatly by taking the bull by the horns—if I can mix a few metaphors—and putting a railway from coast to coast to insure the foundation of Canada, but I think that we should now take the bull by the horns again and create a little production in the north.

The CHAIRMAN: Thank you, Mr. Kilgour. Mr. DelVillano, do you have any comments to add?

Mr. LEO DELVILLANO (*Vice-President, Northeastern Ontario Regional Development Council, North Bay, Ontario*): Yes, Mr. Chairman. First of all, I would like to

thank you and those responsible for our being here. I see that we have representation from across Canada. My name is Leo DelVillano and I come from the town of Timmins. I am the first Vice-President of the Northern Ontario Regional Development Council and I was mayor of the Town of Timmins for 10 years. We have studied our part of Ontario for some time and I know a lot of the things that we have said are going to affect many parts of Canada.

I feel that everyone is looking for an answer to this criterion for designation, and although I always feel that I have the answer to everything—many of us feel that way—first of all we must convince the people who are responsible for running this country.

I am sorry that the Honourable Ministers Drury and Marchand are not here because I certainly think that they should hear what we have to say. I know they will be aware of it because I understand this presentation is being transcribed. The reason I would like to see that those two ministers are in on the ground floor is because not only does our part of Canada have possibilities, other parts of Canada have as well, and I think through meetings like this we may be able to arrive at a solution to what is required for a country like this that is looked upon by the world, and especially so this year of our hundredth anniversary with our Centennial being celebrated across the country.

I would like to point out to those who may have something to do with it—and this was mentioned previously—that although a lot of these things are dealt with on a provincial basis, I certainly think that the federal government could enter into developing any of the natural resources that we have because it would be to the advantage of the country as a whole and not necessarily only for our area. Now if it ever came about—and this was suggested—that we had an eleventh province and we organized from Labrador to Manitoba and down to Parry Sound, we would certainly have the biggest province in Canada.

Mr. CHATWOOD: What part of Labrador?

Mr. DELVILLANO: The west part, I am sorry to say. We would like to include you. Some of us have suggested this idea.

Mr. WHELAN: And you have included some of the biggest problems, too.

Mr. DELVILLANO: I am getting at the fact that many of these things are pointed out to us because sometimes we think we are getting the rough end of the stick. We also feel that we should be benefited more by both governments, not the federal government alone. I know we are making a presentation to the federal government. The possibilities of these areas are great. It has been proven through the discovery by Texas Gulf and around James Bay and Hudson Bay and their basins that there are great possibilities in these areas. We are not selfish in the fact that we want everything to which we are entitled. We certainly would like to have the most that can help us to develop.

Now, outside of two areas in northeastern Ontario and one in northwestern Ontario, the areas including the Lakehead, Sault Ste. Marie and Sudbury, the rest of that part of the province has been dwindling in population, and statistics will bear this out. The only reason for that is that when people become unemployed—and the criterion for designation is unemployment—they will not sit back. If they want to work, they are going to get a job elsewhere. However, they leave their families in the area

until they get settled or perhaps for all time, and just come back on week ends or whenever they can. The municipalities then have to bear the brunt of the cost of supplying the services.

Now, I feel the criterion should take into consideration—although we have not had a chance to thoroughly discuss this—two points in addition to unemployment, welfare and the dwindling population. A population explosion is occurring in other parts of Ontario and Canada, but some of us are suffering from a dwindling population, which is the exact opposite of an explosion, because people are leaving us who could be of use to us if we had these industries which we are looking for and need.

The CPR and the CNR have made their fortunes, or misfortunes, by going across Canada from east to west, and I think it is about time that we started working from north to south or south to north, one way or the other. I often think of the romance of northern Ontario, but I do not like to use the word "northern". It was pointed out here that Timmins is considerably farther south than Winnipeg, and all the rest of the prairie provinces. We are 65 miles south of the 49th parallel, and if that person who drew the line across Canada—I think it was Franklin—had drawn it across the 49th parallel, Timmins would be in the United States. Oftentimes I mention that to well educated people and they just look at me and wonder what I am talking about. As far as I am concerned it is a fact, and I am sure all of you sitting here know that. The fact is that we are in Canada and I certainly think we should boost our stock. The possibilities are here and we are slipping somewhere if we do not assist in getting these things out. I call a damn fool whoever wrote that article telling us that northern Ontario is no good to the southern part of the province.

Now, gentlemen, as far as I am concerned northern Ontario has produced a lot. I do not know how many of you remember the depression, but we carried the rest of Canada through what were called gold camps. I do not like to refer to them as camps, but they certainly were a concentration of people who were looking forward to that part of Ontario progressing for the rest of the century. I remember when the rest of Canada was really suffering and we were carrying them with that little article called gold that some of you do not think is valuable, but if you could give me all the gold there is in Ottawa I would show you how to really promote the economy of Canada. Naturally I speak this way because I come from a gold mining area but, gentlemen, I would like to see all of the representatives of Canada take a trip into Kirkland Lake and see what has happened there or take a trip to the Porcupine mine in Timmins and see what has happened there with regard to gold mining. We certainly need the extras.

There is something else as well. A lot of people make a big thing of Texas Gulf. We know it is a big thing, but automation has resulted in only a few people working there as compared to the mines that opened years ago which hired many, many people. We are hopeful of discovering other minerals—I have mentioned this before—throughout the northern part of the province and we certainly need assistance, not only in regard to the mining areas but, as mentioned by one of my colleagues, the closing of some services of the railway. You must remember that these divisional points in northern Ontario have been hit just as they have been across Canada, and you have a dangling population left that needs assistance. Now, development is something that we have looked forward to since the start of Canada. We know it is still possible, and what we need is assistance in solving the problems that we have.

We all realize that the concentration of population is in the big areas such as Toronto, Montreal, Vancouver, Edmonton, Calgary and all those places, but I also realize that the only way to attract a population is to have something of interest for them. I think when we present a brief to you gentlemen that we will point out why we should have an increasing population rather than a dwindling one and why we require industries.

Now, let me refer to development in other countries. In Japan, for instance, over the years they have had all their industries in southern Japan, and then someone questioned why they had everything in the southern part and nothing in the north. They have now distributed their industries throughout the country. Why cannot we do that? I do not mention that only for northern Ontario, but for the people in northwestern Quebec and northwestern Ontario who are in this position and it probably applies to all the provinces. I notice we have some Maritime representatives here and I am sure they require some assistance as well. I always remember the saying that we should be our brother's keeper, but some of our brothers forget us. They make billions of dollars in certain areas and forget the rest of the areas. There is no reason why—I should not say there is no reason, because they certainly find a reason and I suppose it is a saving on cost—we could not distribute industry through the country to assist us. We are making a plea for our part of Ontario. For instance, Cochrane has lost the services on the railway. Hearst has lost their forest products exchange or trade, call it what you like, they have dwindled; the Kirkland Lake gold mines have nearly all closed except one and a half; Timmins has lost quite a few gold mines and we are in the process of closing one of the biggest ones sometime this year. I keep hoping they are not going to close but that they discover a new ore body. One of the mines which was going to close in the last week has discovered new ore bodies, and I do not see why we cannot discover new ore bodies across the country.

The tourist attraction that we have across Canada should certainly be considered. Some places which may only have a population of 200 or 300 people could have in the tourist season 2,000 or 3,000. When the federal Department of Industry asks for answers I am sure that all this has to be taken into consideration in the toe stepping—I suppose you would call it—of certain governments whose area of service it is, whether it is federal or provincial. I feel that it does not matter whose jurisdiction it is in. As long as we get the benefit, that is what we are looking for. This fellow who writes for a certain newspaper in Toronto and who claims that northern Ontario is no good to the rest of Canada, I would just like to see him start to consider the purchasing power of northern Ontario. I do not know where he draws his line. Some people draw the line just north of Orillia and some people draw it at North Bay. I do not know one is supposed to be the real northern Ontario. I do not think we should even use the word "northern", I think we should use the words "the large part of Ontario" or "the huge part of Ontario", because these possibilities are in all these areas.

I feel, Mr. Chairman, that we should concern ourselves with the criterion of designation. Some people do not like designation. Other people say, "Well, you had it for a year and a half, why did you not use it?" Well, gentlemen, when designation first came out a lot of people—including the big industries—did not understand it. Some did not understand it because of the fact that some places in southern Ontario got industries right away because of designation and I am happy for them, but you realize that we have to be taught that all of the province of Ontario is as worth while as any portion of

it. These are some things that make me laugh with respect to information about Canada. I feel that I know as much about the geography of Canada as anyone else, but I am wondering how many people of Ontario realize what happens in the province of Ontario alone. I told one fellow that you could bathe in fresh water in Ontario and you could bathe in salt water in Ontario, and he laughed at me.

An hon. MEMBER: It is pretty cold.

Mr. DELVILLANO: Well, the fact is that in the summer it gets pretty warm up there and we do have salt water bathing in Ontario. This is just a passing comment, but can you imagine anyone not knowing the geography of the province and comparing that with industry? They do not know too much about industry either. They do not care where copper, gold, zinc, nickel or steel comes from, they just know that they can go to a hardware store and buy a certain article and they do not realize where the article originated.

Now, with respect to our natural resources, we have many of them and we should develop them, and I think that a good look at the designation would help to promote not only our part of Ontario but probably the rest of Canada as well. For the information of the gentleman from Nova Scotia, I understand that this was a suggestion by an ordinary working man who read all about the federal government spending so many millions of dollars in one part of Nova Scotia to boost the area. I am happy for you, but this man thinks that they are wrong and perhaps the Nova Scotia representative can give this some thought and see what he can produce. He said, "You know, there is a big need for coke throughout the world, and they have a lot of coal in Nova Scotia, so why do they not make a coke plant, sell the gas off the coal to the area and then ship the coke to all parts of the world?" He may be dreaming, gentlemen, but I think good ideas come from ordinary people who think these things out. They know that trade throughout the world has been the livelihood of small places such as England, and yet Canada, which has three oceans bordering it, is not making full use of it. I just throw that out as a suggestion to the Nova Scotia representative, but many of these suggestions are just as relevant for the rest of Canada, including northern Ontario.

Again, Mr. Chairman, I would like to thank you for allowing us to make this presentation. I know it was on short notice. I was attending a convention of prospectors and developers in Toronto and only received the call yesterday to attend. I am pleased to say that Air Canada was on the ball and they brought me in during the night. Again, thank you very much.

The CHAIRMAN: Thank you very much, Mr. DelVillano. Mr. Levesque, the Clerk, has informed me that Mr. Hewitt will be sending us a copy of your brief, and at that time we will have it distributed to the members of the Committee. We will then be able to look at the more detailed matters which will be raised there.

A number of members have indicated they wish to ask questions or make some comments. On my list I have Mr. O'Keefe, Mr. Whelan, Mr. Peters, Mr. Chatwood and Mr. Martin.

Mr. O'KEEFE: I just have a few short questions, Mr. Chairman. I noticed Mr. Cram's criticism of the designated area program. With respect, sir, I must disagree with you there because in my particular area I know that many millions of dollars have come in under this new program and hundreds of new houses and new jobs have been created. Would you not agree that this is beneficial?

Mr. CRAM: For your particular area, yes, but it has not helped northern Ontario at all. This is the point. I do not think the whole set-up is accomplishing this. It may be for you specifically but not for other places, and because of the way it is administered within the regulations and according to DBS statistics that is the way it works. Unless you have an over-all average you cannot take parcels and do something for them.

Mr. O'KEEFE: But I think you said it was unfair.

Mr. CRAM: I do not know if I used the word "unfair", but the intent was that it gives almost preferred treatment to some areas, while in other areas, according to statistical analysis, on a large scale are not able to get it, although they are just as worthy of it in the long term development as the short term.

Mr. O'KEEFE: But is this not true of every particular piece of legislation, that it is unfair to some areas?

Mr. CRAM: I know, but that does not mean we cannot look at them and try to adapt them to the whole.

Mr. O'KEEFE: I agree, sir. Would you define isolation, Mr. Kilgour?

Mr. KILGOUR: My definition of isolation as it refers to Canada at the present time—if you wanted to go into a very severe definition—I would say everything outside of the golden horseshoe, which is Toronto, Hamilton, London, Niagara, Oshawa and outside of the Montreal complex.

Mr. O'KEEFE: Anything outside those areas is isolation?

Mr. KILGOUR: Pretty well, if you wanted to be that severe. I think this thing is not only happening in Canada, it is happening world-wide. The trend is to build up large metro areas with all their ills, such as transportation problems, housing problems, air pollution and water pollution. This is not a problem that is common to Canada, of course, because the same thing is happening in every country in the world. Some people are taking cognizance of the ills of that type of progress and they are doing something about it by decentralizing. There are certain advantages to this.

Mr. O'KEEFE: Surely, sir, you are not saying that outside of the golden horseshoe everything else in Canada, with the possible exception of Montreal, is in isolation?

Mr. KILGOUR: No. I might add Winnipeg and Vancouver, but generally what I am trying—

Mr. O'KEEFE: Could we say the maritimes?

Mr. KILGOUR: You are doing something about it in the maritimes, are you not, at least in Nova Scotia and New Brunswick?

Mr. O'KEEFE: Particularly in Newfoundland, sir.

Mr. KILGOUR: Yes. You all have a program of development.

Mr. O'KEEFE: I heard an appeal for immigration. I think the phrase used was "black, brown and yellow". Surely there would be no objection to a natural increase in Canadians by an increased birth rate?

Mr. KILGOUR: Canada is a country of 20 million people. I do not think we can possibly meet the problem by natural increases if we progress at the same rate we have been doing. There are 80 million people in the Philippines, for instance, and therefore numerically the white race is outnumbered to start with, and the natural progression is going to make that percentage all the worse.

Mr. O'KEEFE: Would you abolish the pill?

Mr. KILGOUR: Perhaps I should say all the more noticeable, not worse. It is going to be a natural progression.

Mr. O'KEEFE: I am not asking this as a rhetorical question, sir, I am asking it in all seriousness. Would you abolish the pill?

The CHAIRMAN: Mr. O'Keefe, I am not sure if that question is in order.

Mr. O'KEEFE: If immigration is important for Canada, why do we abolish Canadians?

Mr. Chairman, I just have one final comment. I am sure Mr. Chatwood, as well as the Chairman, will be happy to hear that you people have no territorial ambitions in Newfoundland and Labrador. Thank you.

The CHAIRMAN: I might point out that Mr. Chatwood is the member for Labrador, so he has some interest in the north.

Mr. CRAM: North or south Labrador?

The CHAIRMAN: All of it.

Mr. DELVILLANO: We will take it all, if you want.

The CHAIRMAN: Next on my list is Mr. Whelan.

Mr. WHELAN: I do not know if I come from one of the isolated areas or not but we do not call it part of the golden horsehoe. I also realize that Ontario has fresh water, polluted water and salt water. The economists tell us no matter what anyone wants to do or tries to do that the "grand trunk", or whatever you want to call it, probably within 10 years or so will be double the present population. The grand trunk is that area along the St. Lawrence and the Great Lakes. Your metropolitan area will probably extend through the area from Oshawa right straight through to Niagara Falls. It is maintained that it is natural that it is going to expand. Do you think the provincial government, or some government body, should legislate and tell industry where they should go?

Mr. KILGOUR: I think they realize the ills of that progression, and I think something should be done about it.

Mr. WHELAN: Yes, but you did not answer my question. Do you think that legislation should be passed to control where industry goes?

Mr. KILGOUR: Yes, I think they should meet this problem of pollution, and so on, and make it attractive to decentralize.

Mr. WHELAN: Do you think they should legislate where industry should go?

Mr. KILGOUR: I do not like compulsion in any form of legislation.

Mr. WHELAN: I am trying to point out that we cannot tell them where to go unless we have compulsory planning.

An hon. MEMBER: You can provide incentives, though.

Mr. KILGOUR: You can provide incentives. This is it exactly. We are suggesting that you provide incentives, and let them make up their minds whether they take advantage of that particular incentive or not. If through incentives you make decentralization more attractive than it is presently, why, they are going to take advantage of it.

Mr. WHELAN: We still have these terrific incentives in the designated areas but we are not getting industry away from the large metropolitan areas in the way we

would like to see it. We would like to see them more diversified than they are at present. They are still centralizing in Ontario and particularly in the golden horseshoe area.

Mr. KILGOUR: This may be, but—

Mr. CRAM: Perhaps the incentive is not sufficient to bring them there.

Mr. KILGOUR: It is the wrong sort of incentive; you are using the wrong guide to designate.

Mr. WHELAN: I would like to go further and point out that in Windsor, when there was no incentive whatsoever, that city nearly suffered a catastrophe when the Ford Motor Company moved out. They did not move out lock, stock and barrel, but a big part of their production moved to "Hog Town". When this happened it left us in dire straits, with as high as 30 per cent unemployment in that area. There was no legislation giving them an incentive to go there. It was never proven economically tight for them to make the move, and it caused chaos in that area for years. Only by our becoming a designated area did that area make a comeback.

Mr. KILGOUR: This is right. There are benefits to designation, and I think it was a wonderful step as far as it went, but I think they used the wrong criterion. I think we are all agreed on that. As Mr. Legault will tell you in the district of Nipissing—of which I am a resident—we had no particular unemployment program mainly because the people who could not get work moved out and we lost population. The only criterion for designation was to say that you happened to have a stock of unemployed people. There was unemployment in Brantford because of a changeover in an industry. They designated Brantford for some six months and picked up some 16 industries, and then the plant went back into full production and they had no further unemployment in any case. It is a wonderful thing where it works, but it does not work. It is unfair competition—

Mr. WHELAN: It did work in our area. The former mayor of Timmins pointed out what unemployment and welfare can mean to an area. Your tax rate and everything can get out of balance and the services which were put in there by the city to service the municipality can be left idle and unused. This can create chaos as far as financing for the municipality is concerned, and it did so in that area.

Mr. DELVILLANO: Mr. Whelan, I think somebody should come to the defence of Toronto. You termed it "Hog Town". I do not think this is so. It did not go to "Hog Town", as you said. I think Toronto might have benefited in a small way, but actually I think it was a good move to go to Oakville because it really helped that municipality. There was nothing there before. It is not Toronto, it is Oakville. That is the trouble, everyone says certain towns or cities get it. Actually, I think Toronto has become a dormitory for some of that area, but at the same time things have worked out over the last seven or eight years for the benefit of both Oakville and Windsor, so it was a distribution of industry.

Mr. WHELAN: An unnecessary distribution because they had more than they needed and they have more than they need now.

Mr. DELVILLANO: I will never agree with you there.

Mr. WHELAN: You just finished saying that all the industry is going into one area and you are not getting any. Now you are siding with them.

Mr. DelVillano: I am not siding with them, I am just saying it is an example of what can be done.

Mr. Whelan: Oh, yes, you are. The record will show you sided with them.

Mr. DelVillano: All right, you say I sided with them. As far as I am concerned, I think every municipality can be helped. When a new industry comes into the province they can be told that if they go to Kirkland Lake they will have labour available. There is an incentive to get there because the federal government is going to see to it that there will be some benefit to making yourself available to this area. Regardless of what they say, the market is across the country. I notice that a lot of the machinery we use in our part of the province comes from England and from as far south as California, therefore transportation should not be too great a consideration, although it is killing us in our area because we only have two railways to get to the densely populated areas. Mr. Cram has concluded a freight study in this connection, and other municipalities are making a further study. That is something else that comes into the idea of expanding north and south as well as east and west.

Mr. Whelan: I gather from what you have said that you do not have an unemployment problem in the north.

Mr. DelVillano: I beg your pardon, I said that we do, except that—and this is why I wish the Minister of Manpower was here today—they have a criterion for counting unemployed. I am wondering why the last place you go to employ someone is the employment service. I asked the manager about this one day and he just hit the ceiling. He said, "What are you talking about?" I said, "If I want to hire a man I do not go to the employment service because unemployed people do not register there. It is only those people who are after their benefits if they come within it." The last place unemployed people go to look for a job is the employment office, and I am wondering why.

Mr. Whelan: I do not think that it is true in all areas.

Mr. DelVillano: I will tell you about my area. I have gone to the mines and they have employment offices there, and a person looking for a job goes to those offices instead of going to the employment services. Do you say that does not happen in your area?

Mr. Whelan: No.

Mr. DelVillano: Well, I am willing to bet that if I spent two days in your area I would find many people who are not registered with the employment service. A lot of people tell me that and I do not believe them because I have seen it happen in many areas.

Mr. Whelan: I think you would probably find some, but I think the first thing that the vast majority of people who come to a manpower centre do is go to the unemployment insurance office if they have a book which has stamps in it. It has never been brought to my attention that any large number of people in my area do not use the services that are there. As an elected representative it is my duty to make it known to these people that these services are there for them, and they do a tremendous job as far as I am concerned.

Mr. DelVillano: Oh, I did not say that. I say they do. I also direct them there, but I am wondering why a lot of them do not go near the office.

Mr. WHELAN: Well, maybe they do not have enough knowledge or they lack the proper information, I do not know. There is one other question which I would like to ask, Mr. Chairman. I think it was Mr. Kilgour who mentioned electric power in the north, and he pointed out that you are subsidizing the south and that you have ample water sources to develop more electric power. Would this power be developed at the present time if it was not for the fact that it was being distributed to the south? Do these power developments not help the north right now?

Mr. KILGOUR: As far as employment goes, no. During the development stage, yes. As an illustration, there are six power plants on the Abitibi and Mattagami rivers with one person operating all of them from an automated plant, so there is no great advantage to us from a payroll standpoint, once the power is developed. I am talking about northern Canada. Ontario Hydro have developed, I would say, the greater portion of our potential sites in northern Ontario. I am also thinking about the development in Labrador, and I think the assistance given by the federal government to the Manitoba government helped the recent power developments in their northlands. Then, as taxpayers, we are busy paying for the development of high voltage lines, which are very expensive to develop but are efficient once they are in operation. As users of hydro we help to pay for that but we do not receive any greater advantage from being closer to the source of the power than the man four or five hundred miles away. It is an equalized rate. Mind you, we have enough people so that it is not going to cost any one person very much to subsidize but, at the same time, if distance and isolation have disadvantages there should also be the advantage of being close to the source of power. However, we do not get that advantage, so in that manner I would say we are subsidizing these other people.

Mr. WHELAN: But there is not enough industry in the north to use this power.

Mr. KILGOUR: Not as of now, but in 1867 there were not many people using electric power, either. So, I think we need immigration. I think population is our number one need. If we have population, we will have industry; if we have industry, we will have population.

Mr. CRAM: I think what brought this power question up more than anything else is that this past year Ontario Hydro changed their rates, and the Chairman of Ontario Hydro said on TV a day or two ago that we would not feel the effect of it for a while. Nevertheless, the manager of the northeastern region was around to our plant some months ago and he told us that the rates were going up, and they did go up. The schedule they have put in now is equalized for the province, and those who consume 5,000 kilowatts or more a month get a low rate and those who are small users get a high rate. Well, for someone using in the area of 1,000 kilowatts, which I happen to know about because that is about what we use and we are one of the bigger users other than the really big industries, we are paying approximately 10 per cent more. As far as helping to develop our specific area of Ontario is concerned, this is not helping. It is a hindrance, because the small industries have to start small—unless they are a big mine—and if you are talking about secondary industry it usually has to be small of necessity, and they have to pay a higher rate than somebody down south.

Mr. WHELAN: This is what I am trying to get at. If there were a real program put on for industry to come there, you feel that the hydro would be a perfect machine to use—

Mr. CRAM: Well, that is one thing, but it is only a small part of the answer.

Mr. WHELAN: —to develop this. You use electricity in your smelting process. If there were a cheap hydro rate and—as Mr. Kilgour says—the source of the hydro power is there, this could be an incentive for more industries that use electric power.

Mr. CRAM: That is one thing, but you need a lot more.

Mr. KILGOUR: I do not say that I am against this program of equalization. I think you have to work for the good of the greater number of people. I do not say it is wrong, but through this method of being right all the time we are subsidizing, and therefore I do not feel ashamed to say that we should be subsidized in another manner. I do not say that you should cut out that particular form of subsidy, because it is probably a good form for the greater number of people in Canada, but I do not think we should be ashamed to come back and say that we want a subsidy. I suggest that possibly one way to do this is to say, "All right, everyone living in the country that has the disadvantage of being isolated to a certain extent will get a break on their tax structure."

The CHAIRMAN: If I might just say something at this point. I notice it is getting close to eleven o'clock and we cannot go past that hour. Some of the members may not be able to stay. I just draw this to the attention of the members so that we can continue with the questioning. Mr. Whelan, do you have any further questions?

Mr. WHELAN: I suppose the Chairman realizes he is now taking up time as well. I have three or four more questions, but they are short ones. They may bring long answers, I do not know.

Are the rail rates in the north similar? I think I heard Mr. Peters and Mr. Martin talk about the rail rates in the north on the Ontario Northland. He mentioned that with this service you never know when the train is coming or when it is going or when it is going to arrive at its destination. Are the rates comparable there? Does the province of Ontario subsidize this railroad?

Mr. CRAM: Well, I do not know if I should speak to this in view of the fact that two honourable members have said how bad this line is but, on the other hand, if you analyze the rate per ton mile it is certainly competitive. However, there is a lot less tonnage and therefore, as far as a plant goes, the operator is paying a higher rate because he is a smaller operator and he has a longer distance to haul. As far as the Ontario government subsidizing it is concerned, if it produces a loss the Ontario government pays for it, I guess.

Mr. WHELAN: Yes.

Mr. CRAM: Theoretically it is supposed to be a development road, but because they made a profit I have not heard of them cutting their rates as yet.

Mr. WHELAN: That is what I meant.

Mr. CRAM: I think we are getting away from the thought we started out with in this country a hundred years ago of development, which was put in transportation, and the O.N.R. is also getting away from it. Its purpose in being there is for development. On the whole I think they are doing a pretty good job. The trains are late when there are blizzards, and some of the fellows who live up there have seen the odd one that was kept late, but they do not do too bad a job. To be quite honest, we just finished a survey where we asked all municipalities, all types of associations, all types of industries—you name it—including all members of both houses, for their comments on

the so-called problem of transportation and high freight rates. As far as the area served by the O.N.R. is concerned, there were only two municipalities served by it that made any comments after repeated requests, and one of them commented through their industrial commission. It was not so much about the railroad's operation, it was some new ideas, and some of them were good and they have been put forward. The other one said that there was not too much of a problem that they could see except that it cost more to get goods from North Bay to this particular town on the line than it did from Toronto. The reason for saying that was that they did not look at the rate. They were probably comparing lcl with carload, or something. So, there is not really that much dissatisfaction when you get down to analysing the rates, except that they are high.

The CHAIRMAN: A supplementary from Mr. Martin.

Mr. MARTIN (*Timmins*): I think that here we have put our finger on one of the major problems of the north country, and this is the whole transportation system. The transportation structure that we have developed in this country has been based on —and it made good sense a hundred years ago—the idea of a subsidized rate for raw materials being shipped out to manufacturing centres. As I say, this may have made sense a hundred years ago. It may make sense in certain isolated areas today where there is an ore body to be developed and the ore body is not big enough to warrant the capital expense involved in building townsites, schools and all the other facilities, but in places such as the north country, which these gentlemen are talking about, it makes no sense at all. What it is doing in effect is making it more economical to ship the raw materials out of these areas and bring them down to where there is congestion and pollution and improper use of vital soil, and so forth and so on, that it is to develop it locally.

As a typical example, mention was made of the equalization of power from the north to the south, but it is only equalization one way because you pay 12 cents more for a gallon of gasoline in Timmins than you do in Toronto. Now, I am sure that it does not cost 12 cents to transport a gallon of gasoline, particularly when you are taking it by trainload in large lots. In fact, I talked to the truckers' association one day and I asked them—they are familiar with the business—what a reasonable cost would be. One of them said that if he could get a franchise of three cents a gallon he would put a fleet of trucks on the road tomorrow. These are some of the inequalities that are causing these problems.

What is happening now is that we are sending these materials to the major manufacturing centres. This is part of the problem there, the congestion and the pollution that we mentioned, and we are now faced with the situation where we have to send down fresh water to cure their pollution and we have to send down power to cure their congestion, and all we are doing is adding to the problem. It was interesting to note that they all seem to be agreed, whether we have to bribe them, force them or guide them, that something is going to have to be done with regard to direction of industry. At the present stage of development it is causing more ills than it is curing.

Mr. WHELAN: Just two more questions. I think Mr. Martin summed up their problems fairly well. I visited with the agriculture committee for a short time in February at the Lakehead and in speaking very informally with many of the people whom we visited—we were visiting the elevator facilities at the Lakehead and studying the operations of the Wheat Board—they indicated that they felt they were neglected by

the province of Ontario. Is this a general feeling through the north, that the province of Ontario has misused that part of Ontario for their own advantage?

Mr. CRAM: Do the people of Labrador not feel that they are also neglected at times? This is a natural thing. No doubt Mr. Chatwood feels they are very well serviced. Because they are closer to Winnipeg they feel they can communicate with Winnipeg quite readily whereas they think they are forgotten children in other places, but I do not think that is altogether true.

Mr. WHELAN: I think every person who spoke as a witness before the committee today has pointed out that in 1867 they decided to build railroads in order to really build our country. But one of the things as a federal member I find today that I do not think the federal members in 1867 were confronted with is provinces trying to build empires of their own, and perhaps even countries of their own, and getting offended every time we as federal parliamentarians try to do anything that is beneficial. Ho, ho, stay out of our area—

Mr. CRAM: Do you believe they did not have that problem in 1867?

Mr. WHELAN: No, not like they do today.

Mr. CRAM: Upper and Lower Canada and the Maritimes?

Mr. WHELAN: Oh yes, I know they had problems.

Mr. DELVILLANO: I would like to answer your question by saying that we are neglected, yes, and we can prove it to you through people who are involved.

Mr. WHELAN: I have one question on agriculture, and this will be the last one. I am Chairman of the Agriculture Committee and, of course, I have read a lot about the north but I have never visited the agricultural area there. I think there is a potential for further development of agriculture there. Have you any ideas or programs that you could suggest to us that would develop the agriculture industry there?

Mr. KILGOUR: I think this is very vital. I think it is one of the base industries that we do not develop properly, and yet we have the greater clay belt and the lesser clay belt in northern Ontario and northwestern Quebec, which is probably equal to all the tilled area south of Winnipeg in Manitoba. Presently we have programs which are sponsored by different organizations in order to take better advantage of the ARDA program. I think the Ontario government in its last throne speech mentioned that they are going to again investigate the financing of small farms and take another look at it. Perhaps not especially small farms, but farm development and farm financing, realizing that the small unit may no longer be applicable and we have to work on 1,000 acres.

Mr. WHELAN: You are also aware that Ontario has taken the least advantage of practically any province of ARDA? We cannot force ARDA on them.

Mr. KILGOUR: This is right, and I would like to say that a lot of organizations as well as our own are pressing for better utilization of the ARDA program.

Mr. WHELAN: This is my last question. Speaking as Chairman of the Agriculture, Forestry and Rural Development Committee, would your organization be interested if we decided to arrange a program to visit the northland and study it as a federal group?

The CHAIRMAN: Are you speaking on agriculture, Mr. Whelan?

Mr. WHELAN: I am speaking of developing the northland in a proper fashion and informing the members of our committee, whom I find do not know enough about Canada and should know more about this part of Canada.

The CHAIRMAN: When you say "our committee", are you referring to this committee or to one of the other committees?

Mr. WHELAN: One of the other committees that could help this committee, and help these people in northern Ontario to develop their area.

Mr. CRAM: The Northeastern Ontario Regional Development Council would welcome any one of your committees or all of them, and would arrange the tour for you and see that you were well conducted and meet the right people.

Mr. WHELAN: Thank you.

The CHAIRMAN: Gentlemen, we have a time problem. I would, with the indulgence of the Chairman of the Agriculture Committee, like to take up a minute myself. Although Mr. Whelan is a newcomer to our committee, certainly in the few meetings he has attended he has endeavoured to get himself on the record to equal Mr. Bower, who is one of our most conscientious attenders of meetings and a long-standing member. After another couple of meetings Mr. Whelan is apt to get the prize for the most questions asked, because of his vast knowledge of agriculture and all the other matters he is able to bring in.

One thing I would like to say which perhaps may promote further questioning—I think Mr. Peters or Mr. Legault will probably bring it up anyway—is that we have dealt with this before but your criticisms of the area development program is not solving the problem you want solved. I think we must bear two facts in mind. The first is that the area development program was designed primarily to combat unemployment. What we are really talking about now, particularly in the case of Ontario as opposed to the Atlantic provinces, is something which is a departure and something that cannot be accomplished, particularly in Ontario, at the present time under the area development program, and this is a policy of decentralization of industry which certainly involves initiatives by the provincial governments.

Now, this is a separate matter. For example, in the province of Quebec this is a matter of policy. In the province of Manitoba it is the opposite, they want to centralize. In the Atlantic provinces, as it happens, because we are all under designation because of the unemployment, it includes the whole area, but even in the Atlantic provinces there are policies to centralize within. It is because they are at a different stage of development than the north, they are not as developed as the north. But from northern and western Ontario we have heard—and we will probably hear the same thing from eastern Ontario—that there is a similar problem involving the decentralization of industry. I am just mentioning this in order to put our comments in perspective.

The second thing, of course, is the municipal tax base. Even with decentralization you are going to have municipalities without industries. I make these comments at this point in the hope that it may help further questioning. Mr. Peters, you are next on the list.

Mr. PETERS: Mr. Chairman, may I apologize for and explain, both to the committee and to the representatives from the north, my inefficiency in the arrangements that were made. The Northeastern Ontario Regional Development Association has been very interested in this problem from some time but I—perhaps foolishly, looking at it from a political point of view—was of the opinion that possibly another agency set up by the Prime Minister would probably have greater influence on the Minister of Industry in the changing of the designation and the criteria behind it than

any other body that could come before us. Arrangements were made to set up a committee, and three of the members of this committee were made members of that committee, Mr. Legault, Mr. Martin and myself. I think Mr. DelVillano was also on it and possibly Mr. Cram as well. It was not possible to bring this group together. I think it was agreed by many of the members that there might be some advantage in using whatever influence might be possible with the Minister of Industry to change this criteria. However, I certainly appreciate that they were able to come. I had a discussion with Mr. Hewitt, the secretary, about this and I am pleased that they were able to be with us, even under circumstances where they certainly did not have any time to make preparations.

In looking over some of the literature that came to my attention over a period of time, I was interested in an article which appeared in the *Monetary Times* in May of 1960, in which the Minister of Planning and Development of Ontario indicated, amongst other things, that with the rebirth in this world's awareness of the potential in northern Ontario has come the obvious need for serious, conscientious planning. Planned industrial development is essential to ensure that the growth pattern, once established, will produce a solid, all-around booming economy. The day of isolated planning has been buried for good. We are now looking to northern Ontario as a region to be developed as one strong economic unit capable of weathering the economic storms which in the past have frequently rampaged through various primary industries. However, it is with the utmost assurance that I can say through sound planning and orderly development the future of northern Ontario is potentially the brightest star on the world's horizon.

Now, it is also interesting to note in this article by the Minister of Planning and Development, who is responsible for at least half of the operation of the development of many areas in Ontario, that no consideration at all was given to the designation of areas or, in fact, the operation of the Department of Industry in the federal field at all. It is my opinion that this is one of the great weaknesses. Frankly, I have been very impressed, Mr. Chairman, with your comments, as well as those of Mr. O'Keefe, related to the fact that area development through designation has been successful in Newfoundland and has been totally unsuccessful in other parts of the country, and I am particularly interested in northern Ontario. We are well aware of the development that has taken place in Brantford—I think that is the highlight of the Ontario program —with some sixteen industries developed in a very short period of time. What surprises me is the fact that there has been no co-operation. I think it is safe to say there has been no co-operation between the provincial people and the federal Department of Industry.

If I may refer to another committee, the Agriculture, Forestry and Rural Development Committee, we were very impressed with the brief presented to the government of Manitoba in Winnipeg. Their agriculture minister presented a brief to us in which he indicated that on the co-operative basis of designating under ARDA the Manitoba government has spent far over their 50 per cent of the program. They were willing to spend this in addition to their 50 per cent because they figured that every dollar they spent the federal government would match, and this was a good arrangement. This type of arrangement has not been apparent in Ontario and I think this is one of the reasons I suggested that we call officials of the Ontario government to indicate to us why they have been unwilling to co-operate with the area development program of the federal government under the designated areas.

We originally set up the criteria for this on the basis of unemployment. I think everyone who has been before the committee—and I sat in on a number of presentations to the Cabinet—has indicated that we in northern Ontario do not have unemployment as such. We have a lack of employment, really. I think Mr. Kilgour, when he mentioned immigration, probably indicated another great failing which we have, that if we want people for mines we have to have uneducated people. We educate our children and then they will not work for the wages they get in the mines. They will not undertake that type of work because it is very hard and very dangerous work. Our people will not undertake it. The mines were not built on educated people, they were built on immigration arrangements that brought in people who had absolutely no education and yet we have set our immigration standards to eliminate—from the bush operations in northern Ontario and the mining operations in Ontario—bringing in people to work in those two basic primary industries. So, we have a shortage of labour as far as a criteria is concerned, and yet at the same time we are stupid enough in northern Ontario to educate our children in such a way that they cannot stay in northern Ontario, and in this way they provide the basis for the exodus of a large work force to the areas that have received secondary industry.

Well, the federal government is again involved in that particular problem. As Mr. DelVillano said, if you gave him the gold that was produced in Canada and which we have in the treasury he would probably sell it for more than $35 an ounce, and I am rather inclined to believe that he could. I think the $35 figure at which we peg gold is unrealistic in terms of our economy. You cannot justify it except in a national sense. In other words, this has been one of our greatest assets in balancing our payments with the United States, because they will buy it at $35 but at $39 they might not buy it. At $75 I am quite sure they would not be particularly interested.

Mr. WHELAN: May I ask you a question, Mr. Peters? If the price of gold was raised, then there would not have to be a subsidy paid to gold mining?

Mr. PETERS: Of course there would not. I would suggest that if the price of gold went up probably Mr. Delvillano would have a field day selling those claims he has been interested in for some time. I think in northern Ontario we could develop a gain of primary industry, but I think everyone will agree—and this is something that has bothered me—that it was people like myself who worked in the mines for many years and who put any earnings they had into the community that assisted in the development of social capital. As an example of this you now have cities like Kirkland Lake. If you want to use a very exaggerated example, take the case of Elliot Lake, which you and I are still paying for because we put in $90 million to build houses that cannot be rented now because there is nobody there. However, we built the social capital and the investment has already been made by people and yet we now have no industry and we do not seem to be able to get any assistance from either the federal or the provincial government.

I would like to ask Mr. Kilgour what the effect would be if the criteria which the federal government is using were changed? I would like to say that in my opinion when this program was started we were not wrong in designating areas on the basis of unemployment because there was a great fear in the country that we were facing a recession. I think that every politician in Canada was terrified that we might have a repetition of the early 1933's, and for that reason I think every effort was made to eliminate what appeared to be a cyclic type of unemployment. This, of course, has now

been taken care of, and I think the program did something along that line. Now that we do not have unemployment—and I think it is generally conceded in Canada that there is no great problem in any area of Canada concerning unemployment—what would happen to Northern Ontario in general if we changed the criteria from unemployment to lack of employment growth?

Mr. KILGOUR: Well, Mr. Peters, this has been suggested as an alternate criteria that might be used. If we were to take—and I think these figures are available—the national rate of growth and possibly the desired national rate of growth—it might be better according to your Economic Council figures—and look at any area that is growing at a lesser rate than this and term it a slow growth area, this might be a solution to your problem. I think with the present mobility of labour that you are not going to keep pockets of unemployment in any one place, and I think this is what has happened in Northern Ontario. You do not keep unemployed people where there is no employment, so they disappear. If you look at the figures you will see that you do not have registered unemployment because they are busy registering and getting jobs in the borderlands.

Mr. MARTIN (*Timmins*): A hardrock miner does not stay unemployed, he strikes out for B.C. or some other place.

Mr. KILGOUR: I think the mobility of labor is so much greater now than it used to be. As a matter of fact, your manpower legislation and the practice of the manpower department is to aid people to move, they will pay them to move out of unemployment areas, so how can you establish an unemployment area and get the advantages of designation by having unemployed? Perhaps an idea would be to bring in a couple of train loads of people, register then, get your designation and then they can move out if they feel like it.

This is not a proper method of reaching an estimate of slow growth. What we are concerned about is all of northern Canada—I prefer to keep away from northeastern Ontario, particularly although that is the part that we are directly concerned with—and I think all of northern Canada has to grow and it has to grow in a hurry just for the sake of our own self preservation.

Mr. DELVILLANO: Mr. Chairman, in answer to Mr. Peters, and before we leave that portion of it, I do not think any of us suggested that it should be changed, but it should be added to because of these people that are moving. We can talk about all the assistance they give to people who move, but I know of one individual case—maybe the machinery has not been put into operation in this instance—where a man is starving in Toronto because he has to look after his family in Timmins, and he was moved under this plan of assistance in education. You can talk all you want about changing your place of employment, but these municipalities have invested a great amount of the taxpayers' money in order to build themselves up and now we are losing people.

I would say the greatest example of this in Canada is Kirkland Lake. You know that because it is in your area. These are the ills that should be corrected. We are not suggesting that the criteria change but that it be added to, because the solution can come from that. I think it is solving the problem.

Mr. PETERS: Could I ask Mr. Kilgour a question. In doing this I think governments are always going to give some attention to the anomalies that are created by it. Do you see an extension of the designated programs into areas of slow growth, causing a detrimental situation anywhere?

Mr. KILGOUR: Yes, I do. I think it is unfair competition. We should either have designated areas to all of the slow growth areas or we should not have any designated areas. For instance, take northeastern Ontario as compared to Parry Sound, which is designated. In my vocation as a real estate operator there have been innumerable occasions when people have indicated they would like to locate in northeastern Ontario but they could not afford to. You have set up an artificial incentive, and they are moving to Collingwood or Midland, and I congratulate those communities on getting such things. We have industries that definitely made the decision to locate in Collingwood rather than North Bay, and it was mainly because of this unfair competition. We have been as slow growing as Collingwood ever was, so in that manner I would say that it is unfair. You either have all the slow growth areas with an incentive program of sorts, or you do not have an incentive program in any one of them.

Mr. WHELAN: I just want to comment on one thing that is very important, Mr. Chairman. He said there is a man starving in Toronto and if this is going to go on the record and there is a man starving in Toronto, then it is manpower's business and it is our business as federal members to see that this is looked into immediately.

The CHAIRMAN: Well, perhaps at the end of the meeting you will be able to get the man's name from the person who mentioned it.

Mr. DELVILLANO: Well, Mr. Chairman, I will give you a great deal more than just one man's name. I am speaking on the basis of some of us getting fat and others getting skinny. They are probably not starving but they certainly do not have enough money to exist, let us put it that way.

The CHAIRMAN: He did not mean that he was literally starving, then?

Mr. CRAM: I think it came up when Mr. Whelan asked about education and why do the educated people not work up there in the mines. First, we do not need them, as Mr. Peters pointed out.

Mr. WHELAN: I did not ask that.

Mr. CRAM: Someone was asking, if it was not you.

Mr. WHELAN: Mr. Peters said that educated people would not work in the mines. Someone asked why they did not pay them more.

Mr. CRAM: The fact of the matter is that we educate them and export them. Paying them more does not get them to work in the mines. Those who get educated just will not work there regardless of what you pay them. This is only at the miners' level but it affects the professional people as well.

Mr. WHELAN: One of the things—

The CHAIRMAN: Excuse me, Mr. Whelan, but I am going to allow Mr. Cram to complete his remarks and then I am going to return to Mr. Peters because time is running out and Mr. Legault—

Mr. WHELAN: We have until 2.30, Mr. Chairman, if we want it. This is a very important subject.

The CHAIRMAN: I might say that in all the meetings we have had in this Committee you are the first member I have had to call to order.

Mr. WHELAN: Well, perhaps I am the member who is most interested in all the problems with which this Committee is confronted. I want to say, and you are not going to stop me, that Mr. Peters says that immigrants are not educated. Now, I have a

brother who is married to a Finnish girl and her father worked in the mines when he came to Canada and he was a colonel in the Finnish Army before he came to Canada and he had a university education. Many of these people—and I am a strong proponent of immigration—come to Canada to do this type of work. I know of a miner who wants to come to Canada now and I cannot get the Immigration Department to authorize it.

The CHAIRMAN: Just a minute, now. We are going to return to Mr. Cram's remarks. We are somewhat off the subject. Mr. Whelan can save his personal problems with the Immigration Department for another forum.

Mr. CRAM: I do not agree that we are off the subject altogether because we are on this question of education and labour for our primary industries. It is not to build manufacturing industries, and that is why we cannot keep them, we do not have those industries. We do not need them and we cannot bring them in as immigrants. We can bring in the Finnish colonel, but he does not want to work in the mines.

Mr. WHELAN: He did for eight years.

Mr. CRAM: Well then, we missed him. I will give you a personal example. Mr. Chairman, I was told I could speak. If we go back to the depression days we will find that many, many engineers and some very highly educated people worked in the mines, but that was in unusual circumstances that I do not think apply today in any type of industry.

The CHAIRMAN: That is right. Mr. Cram, you are having difficulty and I apologize, but the Committee is restless today.

Mr. CRAM: In the depression days they worked there, and most of my classmates from out west went to Timmins and Kirkland Lake, and a lot of them rode the rods. Today they will not do this. My older son graduated from Queens in chemical engineering and he worked in mines and metallurgical plants across the country. Finally one day we were looking for miners and he said, "Why do you not take me?" He stayed six months and then he said, "To hell with this, I am going back to university and take law." This was three years after he had graduated in engineering. He said, "There are more girls, there are more bars, there is more skiing, there is more everything else in the south. There is nothing up here. I do not care what you pay." We offered him $10,000 a year, a young lad of twenty-three, but he would not stay.

An hon. MEMBER: You gave him the wrong education.

Mr. CRAM: Now that he is a lawyer he can go into politics!

Mr. WHELAN: That is what is the matter with politics.

The CHAIRMAN: I see that Mr. Wahn and I are in a very unusual set of circumstances. The lawyers are very much in the minority here today and certainly, as you can see, Mr. Wahn has been one of the best behaved members on this Committee.

Mr. WHELAN: He has not added very much to it, either.

Mr. KILGOUR: I think everyone appreciates the contribution that lawyers make to the political life of Canada.

The CHAIRMAN: And no one appreciates it as much as the lawyers.

Mr. WHELAN: No one benefits as much as they do, either.

The CHAIRMAN: Mr. Peters is going to sum up his questioning.

Mr. PETERS: I do not really see why we have to leave unless—

The CHAIRMAN: Well, there are some of us who have other commitments for this hour.

Mr. PETERS: One of the problems that face us in the federal field is the silly argument that is used about split jurisdiction and constitution, and all that jazz. I think that the people in Newfoundland—and to some extent the people in the Maritimes and certainly in the agricultural field in Manitoba—have overcome this by co-operation. I know the Northeastern Ontario Regional Development Council is no longer an association. It is really a child of the Ontario government planning department. What co-operation has been provided by the provincial government to assist in the development of the designated areas? Some of this area is designated. Timmins was designated previously but then I think they were incorrectly undesignated. Sturgeon Falls is now designated in this area. Manitoulin Island is designated. What co-operation is being provided by the provincial people in the designated areas as far as the council is concerned?

Mr. DELVILLANO: Mr. Chairman, they have said that they will co-operate completely with us in any suggestions that we have in regard to these places. Now, what co-operation there is between them and the federal government, I do not know, but the Minister has addressed us and Mr. Hewitt and Mr. Cram will remember at one of our meetings he said that he wants the full co-operation of the three bodies so that we can reap the benefits of the ARDA program. Now, it has not gone further than just a suggestion, except that some of the members of the Northeastern Regional Development Council, have advanced ideas on how to develop certain areas in regard to their interest in agriculture. One of the things that we brought out before Mr. Hewitt came into the picture as secretary-manager was beef cattle raising, not only in certain areas but throughout the whole area. We have dealt with turkeys over the years in Manitoulin and it has been very successful. Some of us may not like turkey but there is a big sale for it. However, there has been co-operation in those phases. Now, we hope to enlarge on this, and from what we have heard here today I think we are going to be more informative on it.

Mr. PETERS: Could the member explain to me, if there is this co-operation, why the people of Newfoundland—they have the whole area designated and all of New Brunswick is designated, and there are some fairly good economic units, I suppose, in both those areas—have been able to take full advantage of the designation program and we have not been able to do so? Now, it is not quite true that this designation is operated from the federal government entirely. If you will look over the list of the designated areas in Ontario you will see that there are politics involved in it. There are at least two areas in our area that are designated that have no relationship to any criterion. I think even Mr. Lavigne, or the official from the department here, will indicate that they cannot meet these. However, there was a meeting in Ontario. Now, at that meeting where the designated areas were decided upon why was all of northern Ontario not designated as an area rather than just one or two places?

Mr. DELVILLANO: Mr. Chairman, that is why we are here.

The CHAIRMAN: Well, Mr. Peters, the reason, that all northern Ontario was not designated was that under this particular criteria all of northern Ontario did not qualify.

Mr. PETERS: Neither did some of the ones that were designated.

The CHAIRMAN: Well, I think that remark would be challenged.

Mr. DELVILLANO: Mr. Chairman, I think that a meeting such as this probably should be, as Mr. Peters suggests, on the basis of co-operation with some of the members of the Department of Economics and Development of the province. I think there is going to be better co-operation. Both Ministers have mentioned it and I saw something in the paper two or three days ago about the fact that some people in both governments are not taking full advantage of certain available assistance. So, I think it will be a challenge to us to follow this through. We are going to have an annual meeting shortly and we are going to follow through. I certainly feel there is limited co-operation, but not to the full extent of the other provinces you mentioned.

Now, things are not going too well, because I saw a program on television the other day pointing out that costs are high and earnings are low in one of the provinces you just mentioned. So, things are not going too well there, as you just mentioned. We would like to see the designation criteria enlarged. Unemployment comes into it and these other things come into it. Mr. Kilgour said to me this morning, "Sure, you are making suggestions but what is the solution?" Well, let us put these suggestions into practice and see if we cannot arrive at a solution. I know it is a problem.

Mr. PETERS: Taking the whole matter of area development, and designation is one aspect of it, would you be willing as counsel to experiment by taking the whole area and having the federal government broaden the criteria? Do you believe that the provincial government and the council would be able to take advantage of it? In other words will there be development in northern Ontario if we allowed a change in the criteria? If designation takes place even under the present terms, will there be development in northern Ontario?

Mr. DELVILLANO: I believe so. Supporting industries would come in more so than they are now.

Mr. PETERS: For instance, would this be the incentive necessary to bring in the thousands of employees for the secondary development around the Gulf Sulphur proposition?

Mr. DELVILLANO: I would say the third development. Yes, I think so, definitely.

Mr. CRAM: I think one of the points on this—and the Department of Economic Development in Toronto keeps emphasizing this—is that no matter what we provide, somebody down here has to come up with an idea. We cannot depend on you people here coming to us in northern Ontario and telling us what to do with it. Now, I am afraid there is a lot of feeling in this respect, and certain cross sections of the population are crying. "We do not have assistance in this, we are not designated." They also expect you people, or the people in Toronto, to come up with an idea of what to do and give us the money with which to do it. But the only way it will work—and it is working to a limited degree in the north right now—is if somebody with a little bit of know-how and initiative gets an idea, makes a feasibility study and presents it to someone. If it is a really good idea he does not even need to have assistance, but a lot of them, because of lack of access to the market, are hard to get off the ground and we need assistance if we are going to develop them.

Now, the Ontario government, the Department of Economics and the Minister—and I know this not only through our organization but from working on it—have

indicated that they felt they were going to get assistance from the federal government to implement a lot of these things. So far nothing has happened as far as they are concerned. Now, you people are not very far away, and it is a big sector of the population of Canada that is involved, so if they are not taking advantage of ARDA and some of these other things are available through the federal government, why do you not invite them to come before your Committee as we have done? They are in a better position to answer some of these questions than we are and it might help.

Mr. PETERS: There is some slight reluctance I am afraid.

Mr. CRAM: Well, this is not what they tell us. Perhaps you are reluctant to invite them.

The CHAIRMAN: I do not think it is the role of this Committee to call the provincial government before us in a formal way.

Mr. CRAM: It could be company for you, along with another group.

The CHAIRMAN: Well, I am not sure on the point. Mr. Peters has mentioned that it certainly would be a very unusual procedure for the provincial government to come before a Committee of the House of Commons. As I say, there are other ways of arranging consultation between that department and the federal government on matters relating to your problems. One of the ways to get the situation going is to bring the problem to both the Federal and Provincial government.

Mr. CRAM: The problem is, though, that on the two occasions when the committee of the north were here the Prime Minister, the Minister of Industry and others more or less indicated to us that we should be talking to the Ontario government, not to them, but they were most interested and glad to hear from us and we would hear further. Well, we have not heard directly.

The CHAIRMAN: Well, I was going to make a comment on that particular aspect of your brief at the conclusion of the meeting. Now, Mr. Legault has indicated that he would like to say something. Following him we will hear from Mr. Martin and Mr. Chatwood.

Mr. LEGAULT: Thank you very much, Mr. Chairman. I certainly appreciate the comments that have been made by Mr. Cram, Mr. Kilgour and Mr. DelVillano. I was impressed by one thing Mr. Cram said, that as far as he is concerned designation was strictly for the birds. I can well appreciate that because in northern Ontario this is exactly what it means.

Now, we have brought out the matter of Collingwood, we have mentioned Brantford, and I could add another one, Cornwall, that have benefited quite extensively from those designated areas. I think one of the main reasons has been that Cornwall, Collingwood and Brantford had something else to their advantage which was of interest to industry, and that was again the question of transportation. If you look at Collingwood on Georgian Bay, if you look at Cornwall, which is on the Seaway, they all had something more, and you cannot blame any industry for taking advantage of establishing in those areas. Why did it not mean anything in our area? Well, for the simple reason that this would only mean a temporary measure, and any gain that industry could make would be eliminated the minute this designation was removed. It is false bait for them. So, we come back to the same problem, transportation, and Mr. Martin has brought up the question why a gallon of gasoline should cost 12 cents

more in Timmins than it does in Toronto. I think the idea has been developed that northern Ontario is a place to be exploited, and exploited only. So, we have not brought out anything to interest people to establish on a permanent basis. I think we should tackle this subject of transportation. I am very reluctant to hear all about the Crowsnest rate, the Maritime rate and that northern Ontario is neglected. I cannot say that we should ask for this consideration. I think it is a condition that should exist anywhere in Canada, and any place that is going to be developed will have to justify its position. We have rates, today to remove our raw materials from northern Ontario that are so low that it is interesting for everyone to come in. However, we have rates that are so high to bring back the finished product that it will discourage anyone from establishing there, and any finished product will go under the high rate.

Mr. MARTIN (*Timmins*): To offset the subsidized low cost.

Mr. LEGAULT: Well, Mr. Kilgour brought out a good point on that, that in a way we are subsidizing the south. They do not know if the taxes they would have to pay to bring industry back to the north could be justified. Well, I think it would be better if they perhaps thought over again if it could be done either through the provincial government or through federal help.

As an example, how are we hitting at this thing? I think we are hitting at it by the hit-and-miss method. I can tell you of a project by someone from New Brunswick who came up to our area to open up a potato farm and this has been mentioned before. Now, why was this not developed, why was this not investigated further? I asked the Department of Agriculture about this and they said it was really a good project but it went under water because of mismanagement. The fellow knew how to operate it but he did not know how to manage it. Here is a case where I think the IDB is wrong, because the conditions that they impose are practically the same as when you go to an ordinary bank. Nothing is assessed according to the potential.

We could talk about the tourist industry. There is a great potential there, but if a fellow does not have the material or the finances he does not qualify, no matter where he has established himself. I know of quite a few places, and I am quite sure you gentlemen do as well, that could well merit the consideration of IDB but unless a man has backers he will not be considered.

Let us talk about something else that was brought out, marinas. These would help. These are all small things that would help to develop northern Ontario. As for marinas, unless someone has the capital in order to match it, dollar for dollar, they cannot obtain any consideration from the IDB. Why not suggest that loans such as have been made to the farmers in the area could be made to some of the tourist operators, and they could obtain money on the potential? What does a farmer have if it is not just the potential? So, marinas should be considered in that.

There are other things. What about transportation? We have been talking about trying to improve transportation. I have been talking about trying to get Air Canada to take in all the line, say, from Sault Ste. Marie, Timmins, North Bay, Ottawa and Montreal, but no, anyone that travels that route has to go around by Toronto. Does this not just direct the flow down to that area? If we could get better transportation, and if we could get moneys on a business basis, I think it would be the ideal thing.

You mentioned the question of beef raising a while ago. I think the whole thing was tackled in the wrong way because Mr. Stewart, the Minister of Agriculture for Ontario, suggested what happened in the clay belt when they brought in some quality

beef. After a few years it was realized that the whole project had gone under water, again because of mismanagement. This is the type of help we do need, not to subsidize but to bring about some good management and, as far as our resources are concerned, to really develop them in that area and not merely exploit them.

Now, one of the questions I would ask of Mr. Cram is that if the Northeastern Ontario Development Association does not put any pressure on the fact that moneys could be made available to farmers under the same terms as they are made available to the tourist trade operators, that pressure could be put that a study be made as to what exactly would be the best products that could be cultivated in northern Ontario. We have mentioned this quite often. Why is transportation to remove our raw materials so cheap and get so high to bring back the finished products or to export the finished products? Those are definite things that should be studied and I think attention should be brought to them as the solution for our area.

Mr. CRAM: On the first point, I think a note was made that this is a good point to bring up at the meeting.

Mr. LEGAULT: The point I want to bring out, Mr. Cram, is that I have attended quite a few meetings, as you are aware, and we always seem to be delving in the same mud puddle. We are hitting the problems but we are not hitting the proper people. ARDA is one of them, which could be done through the Department of Agriculture. On the question of designated areas, that could be done through the Department of Industry. We know it is not doing us any good whatsoever. We could hit at various other departments directly but we should do it with a definite plan.

Mr. CRAM: You can certainly bring up the business of the tourist operators, but you are also chairman or vice chairman of the Tourist Council of Ontario, are you not?

Mr. DELVILLANO: They have been assisting us, as you say. I think you have given us a new angle to delve into and I think the secretary-manager is making a note of this.

Mr. LEGAULT: But I want to bring out definite points. Let us not look for a handout. Let us look to justify our position. If we cannot justify our existence, well then, we are certainly just looking for a handout. But I think we have a reason for doing this.

Gentlemen, I have a point that I think should be brought out right here. While on the planning board we have tried for years to prepare something that would be interesting, but nobody in the area which we serviced wanted to plan for the future. All the planning board was used for was to try to correct errors that had been made in the past or to bring about a solution for the man who had bought land and found himself landlocked, he could not get roads in there. We have tried to prepare for this by asking every township to make provisions for the future and by reserving lands for public use, but today there is more interest in the $50 or $100 than the $100,000 which will be necessary to provide for those areas about 25 years from now. Those are the things for which we have to organize.

Mr. DELVILLANO: That is a localized situation.

Mr. LEGAULT: Well, it is localized all throughout northern Ontario.

Mr. DELVILLANO: No, we have planned for the future in our area, and I am sure many other areas have also done this.

Mr. LEGAULT: These are things that will develop. You certainly realize that within 25 years people will come up if we make things more interesting. I am sorry, Mr. Cram, I cut you off at the beginning when you were speaking about the projects of tourists.

Mr. CRAM: Well, as I say, as far as the tourist council is concerned you can take it up directly with them, but we also have something to do with it in the board. Neil is first vice chairman and our general manager is here. We have an annual meeting coming up and we will see that this point is covered. I think it is a point well taken. We can only say that we will take it up, but I feel resonably sure that it is something they would certainly want to back as an effort. It sounds like a good idea.

In connection with transportation. This point was raised with respect to why the rates should be so low, for instance, to ship iron pellets, which have been in the news, down to the United States or southern Ontario at such a ridiculously low rate, so to speak, when compared to bringing other materials in. It is a great deal easier to bring a trainload of things down than it is to bring up a package of five suits for a store. Somebody has to pay for it. I do not think we can take this subsidization quite that far. I agree with the principle, but you cannot do it for the same rate.

Speaking of suits, I think a good illustration of this would be if you have a mens' clothing store and you have to pay your rent, your heat, your wages—suppose you have three clerks—and you are selling 100 suits. Well, you are paying all this overhead and let us say you are making a profit of $9 a suit over and above that. Then your business increases and you start selling 150 suits and nothing is changed as far as your overhead is concerned, other than the fact the salesmen do not have quite as many coffee breaks in the morning. Instead of only making $9 on that, maybe he makes an extra profit of $8.57. Well, if you take a trainload of iron pellets down, as opposed to bringing one carload of bulk freight for a whole lot of customers, the same principle holds to the nth degree.

I do not think we can ever hope to have the same rates but I am sure if you or anybody else digs into the rates we are getting that you will find they are fairly realistic and practical rates. Mind you, they are high, but we are further away. Now, Timmins has made the suggestion through their Industrial Commission that perhaps we should have a bridging set-up, such as there is in western Canada. Well, this is worthy of thought but there are other implications. Maybe their higher freight rates are, in fact, built-in protection. You might ask how can somebody be encouraged to set up a small secondary industry within our area when they have to compete with these high rates? Actually, I think it is the opposite, as far as setting up on a small scale is concerned. This is a built-in protection for the small operators. Most of the secondary industry that is going to start in the north, or could start—aside from, say, the processing of a big mine, this is a different proposition from setting up a small manufacturing industry—has to first get its feet on the ground and find something it can sell within the area. As it does this, then it adds that extra 50 which I spoke about, which it can then start selling at a lower rate. This is one of the answers or rebuttals that we get from the transportation people, and I think we have to face it.

There are products in our north country right now that are being used—raw materials and manufactured goods—on which we are paying high freight rates. We are bringing then in and selling them to the mines of the processing plants, and they are being used in large quantities. Feasibility studies have been done on some of them, but

there is nothing up there to encourage investment in this type of thing because we do not have anything of a long term nature with which to encourage growth industries that would get away from the problem of Elliott Lake which you mentioned. This is what we must do in some way.

I do not care whether you call it designation or what you call it, but we have to end up with something that will look at what will happen—you may suggest the planning board—twenty years from now in a town that starts up as Elliott Lake die. Kirkland Lake are now faced with it, Timmins nearly was, Larder Lake is and Cobalt is in the middle of it. The housing people wanted to bring them in there to look at some small housing developments and both the federal and provincial governments sent people in and they said, "Well, how are people going to pay for these houses? There is no hope here." Mind you, in 1903 and 1905 they did not think about it that way, but this is what happens. If Texas Gulf had not been beside Timmins it probably would have happened there as well. They were lucky because they found it on the doorstep of a mine that was already closing down, so they had the people and the facilities. If not, Mr. DelVillano's councilmen up there would have been saddled with this problem. That is why they were designated. Then Texas Gulf came out of the blue and took them off the hook, but we are not going to have them all off the hook unless we plan for the future.

The CHAIRMAN: Are you finished, Mr. Legault?

Mr. LEGAULT: A further study, Mr. Cram, refers also to the statement made by Mr. Kilgour, which I believe was quite appropriate, about subsidizing the south. In order to justify this exploitation, do you think that something could be done about the price of our resources so that they would perhaps be more in line?

Mr. CRAM: I do not quite know what you mean.

Mr. LEGAULT: Well, could I just mention this one. We talked about transportation and we always refer back to this. I am referring to the lumber industry. I believe you can go down to Toronto and buy lumber just as cheaply as you can buy it right where it is cut.

Mr. CRAM: Of course, this comes into quantity buying, yes. It is cheaper in certain places than if you go next door and buy in the mill, but this is because of large contract buying, and it costs a particular big operator a lot less to sell it to a man down here than it does to bother selling a few sticks up north, which he has to put through the same amount of administration. I do not know how you can legislate that any more than you can legislate that people move up there.

Mr. MARTIN (*Timmins*): You can go to Toronto and buy your lumber and hire Star Transfer—who have already hauled it from the mill in Timmins down to Toronto—to haul it back to Timmins and save $8 a thousand over buying it at the mill in Timmins.

Mr. CRAM: This is ridiculous. I thought you meant products such as pellets. We cannot change the price, even though Arnold and Murdo in their election campaign intimated they could. This is a captive organization. You cannot change the price of pellets because it is the owner that is mining them. They had a feasibility study and they went to the railway and said, "Now, we can do such and such with this ore. It is going to cost us so much at the end to put it through our smelters to make steel. It is going to cost us so much to mine it, to mill it, and so on. We have a 25 or 30 year

program. It is going to cost so much to write off this capital against it. There is this much money available for transportation. Do you want to have this business or not?" Now, the railways took it from there and they fought it through and they got the rate.

Mr. DELVILLANO: Mr. Chairman, I think Mr. Legault is referring to something else, the transmission of natural gas and power through northern Ontario. Should the people next door get it cheaper than the people, say, in Toronto or outside of Toronto where the transmission line is located? That is one of the things you are getting at, is it not?

Mr. LEGAULT: No, not necessarily. I think it is exactly the point that Mr. Martin brought out about this nonsense that exists in getting our own products back and paying less for them after they have been exported—if you can use that expression—than if we had bought them from the producer himself.

That is all, Mr. Chairman.

The CHAIRMAN: Mr. Chatwood, did you have something you wanted to raise?

Mr. CHATWOOD: I will be brief, Mr. Chairman, as I see it is getting late. I understand these gentlemen will be presenting a written brief at a later date, is that correct?

The CHAIRMAN: They will be sending it to us and it will be included in the record and distributed to the members.

Mr. CHATWOOD: I am looking forward to that because the discussion has been interesting. I am sure the points that were brought up this morning will be included.

Mr. CRAM: Did you say you wanted it presented?

Mr. CHATWOOD: No, no. I was just using the term loosely. It can come in the mail or in any other way.

The CHAIRMAN: You can send it on a carload of lumber that is coming down here!

Mr. CHATWOOD: That might present a problem, Mr. Chairman, because we were talking about unit trains which resulted in lower costs, and if you put the paperwork on a train of pellets it ceases to be a unit train any more.

Mr. KILGOUR: We will try to keep it sufficiently brief that we can ship it airmail rather than freight.

Mr. CHATWOOD: Fine. I think it has come out that the designated area programs in ARDA, and so on, have worked and have been effective in certain areas where the plea has gone through the provincial government concerned, and I presume that in your written brief you are going to try and get at the root of why it has not worked out successfully in your area. It is a question to which I do not think we have the answer this morning.

I was interested in a point Mr. Kilgour made because there have been a few references to my riding this morning. He mentioned that we should develop 100 miles every 100 years, and as there are certain portions of my riding that are considerably more than 1,000 miles from the border, I am afraid I may not be around to see that. In any case, that area is being developed.

The point was brought up that some mines do not hire through the manpower centre. I know of certain mines where their personnel office uses it, and they have adopted a policy of referring all applicants, or the great bulk of them, through the

manpower centre and the result has been that people automatically go to these specific areas, and the good result for the company is that when they are looking for a man, if they go to the national manpower centre they generally—

Mr. DELVILLANO: You can talk all you want but it is not practical, it is not working that way. I do not care what you say.

Mr. CHATWOOD: What I am trying to say is that it is not working because the companies are not hiring through the manpower centre. If a man knows that he stands a better chance of getting a job by going directly to the company, then he will do so.

Mr. DELVILLANO: I never saw so many people misunderstand anything. They go there looking for a job. If they tell them there is no job, they walk out and get a job on their own. Now, why do you insist on wasting time in misunderstanding it? Just go and look at it. Come on to Timmins, come on to Toronto, and I will show them to you.

Mr. CHATWOOD: You are missing my point, Mr. DelVillano.

Mr. DELVILLANO: No, I am not.

The CHAIRMAN: Excuse me, I will have to call the witness to order because we are running late. Mr. Chatwood, you may finish your comments.

Mr. CHATWOOD: Fine, My suggestion is that by duplicating the service they are not getting the same effect. Now, I am sure it is not working in certain areas, as you said, and I have suggested why.

Mr. Cram made a point on the cost of power, and the whole question of a national power grid, of course, is involved. In certain areas, although not specifically the one we are talking about, power moves in different directions at different times and it could lead to a very complicated situation, although not in this particular case.

He also brought up the point of whether the people in the Labrador portion of my riding feel isolated. I think that generally people outside the cities do have this feeling of isolation and, of course, there is the normal lack of services when a new area is growing up. They do not get the same services as you get in the city, and it is a constant fight to try and get these services in all these areas. Considering the time, Mr. Chairman, I think I had better stop.

The CHAIRMAN: Thank you, Mr. Chatwood. Mr. Chatwood's riding is Grand Falls-White Bay, Labrador.

An hon. MEMBER: I thought it was eastern Quebec!

Mr. MARTIN: (*Timmins*): Mr. Chairman, I think it has been very clearly pointed out by—

The CHAIRMAN: Excuse me. That is all right, at the next campaign Mr. Chatwood will point out that this is policy of the New Democratic Party.

Mr. MARTIN (*Timmins*): Federal programs in the past, such as the designated areas winter works program, just have not been flexible enough or adaptable enough to be of any use whatsoever in meeting the problems of northern Ontario. Discussion has ranged over a very wide field, but I think it has polarized back to the point that was made so well by Mr. Legault, that one of the ways to meet these problems is to apply the equalization policy to transportation costs. After all, the price of gold is equalized around the world, and also the price of gas and the price of power, as we pointed out. If you go to the United States you can call any place in the United States for one dollar. This is the sort of equalization that can be accomplished if they set out to do it,

and I think that before the problems of the north can be solved some work has to be done along this line.

Here is another matter that has not been touched on too much today: I think we all realize the difficulties encountered with provincial and federal jurisdiction. This is a problem that we have across this country. I think one thing that the federal government can do is to have a stated and promoted policy of processing and manufacturing at the source of the material wherever it is economically possible. If this policy was adopted and promoted vigorously, this would solve the problems of northern Ontario. Once this policy was adopted and developed the problems would solve themselves. After all, what do we have up there? We have gold, iron, nickel, silver, copper, zinc, asbestos and uranium, to name just a few, but these are the major producers, and if these raw resources were developed and manufactured and processed at the source where they had every available facility, together with the equalization of the freight, which is the penalty they have always had to pay, then these problems would solve themselves. And with development there it would build up a population that would attract other secondary industries that are not related to the basic resources.

The CHAIRMAN: Well, thank you, Mr. Martin.

Mr. CRAM: May I just add a comment to that? I could not agree more that it would be a wonderful idea if somebody would say that we have to mine, mill, smelt, refine and make copper plate all at the source of the mine, and if we in the silver industry tried to get this through the provincial government—the mines that we are handling are fortunately, from that point of view, within one province—I suppose if they wish they could so legislate. However, I do not think that any group of politicians, be it one party or the other and whether they are in power or not, when you really get down to it, unless we go to complete socialism, could honestly say, taking Texas Gulf, for instance, that you are going to treat this stuff here. What are they going to do with Falconbridge, when they have been shipping to Norway for years and are continuing to do so, and what are they going to do with INCO, which ships their residues from Port Colborne to England, and they treat it there and make cobalt and ship it back here and make us keep our price down?

Along the same lines—and Mr. Peters knows more about this in some ways than I do—in the silver business there is one mine that is shipping to the United States and they are getting very preferential treatment. If they had not been patented before 1917 the government could say that you must have a permit to do it, but when they go to the ministers—and they even had a Cabinet meeting to talk about this matter—and they say they cannot ship there, then they are going to say, "Well why do you not stop Falconbridge from shipping to Norway?" It is practical politics when you get down to it. It sounds good but I wish it would work.

Mr. MARTIN (*Timmins*): May I say, Mr. Chairman, that I grew up within about 15 or 20 miles of Thetford Mines in the province of Quebec, where they have the biggest asbestos mine in the world. It has been operating for about 100 years. At its peak about 1700 men were employed at Thetford Mines and Black Lake. The material was all shipped to the United States and it provided 28,000 jobs for people in the United States to process it. That is our problem.

The CHAIRMAN: Mr. Legault?

Mr. LEGAULT: A supplementary, Mr. Chairman. We are aware that at the moment there is a study going on—and this involves federal and provincial jurisdictions—con-

cerning our water resources. I think this is the day that we should start acting on this and that the government should have a policy which would protect the areas from which these waters are drawn, and at the moment it should be well weighed in order to perhaps provide for further industry in the years to come. The only thing we are doing at the moment in assessing our water situation is to provide more water to the industries down south and to develop them more and more, and this will only result in the same exploitation that we had before.

The CHAIRMAN: Mr. Kilgour wanted to say something.

Mr. KILGOUR: I appreciate the chance to say a very few words, Mr. Chairman. I was wondering how I was going to get into the subject of the French River canal before Mr. Legault mentioned the matter. He also made the remark that possibly Cornwall and Midland benefitted because of the water ports that they had but you could, with a very small expenditure on behalf of the Department of Transport, make a canal—and we are thinking primarily of a barge canal—from the French River on the Great Lakes, or on the St. Lawrence Seaway, if you wish, into the base of the Ontario Northland Railway. Now, this is only a very small portion of the grand canal scheme that has been promoted and it is much older in history, it was mooted back before World War I, and the "Hog Town" that somebody mentioned earlier killed it and we built the Welland canal rather the French River canal, and added some 248 miles between Montreal and Sault Ste. Marie by doing so.

However, I would like to mention that the very fact the Northeastern Ontario Regional Development Council was asked to come down here indicates that there is co-operation and liaison between the provincial and federal authorities, and what we are pointing out here is that perhaps a very definite type of agency to co-ordinate municipal, provincial and federal policies of development is necessary, and perhaps a committee of ARDA that would co-ordinate the assorted efforts of the various jurisdictions might be a very useful thing.

I mentioned the possibility of a tax allowance for isolated areas. Now, this may be the wrong word, just as "depressed areas" was the wrong appellation for certain other areas, but in lieu of a better word I will call it an isolation tax allowance. This may sound like a large amount of money, but when you consider that about 90 per cent of the people are living within that 100 miles and only about 10 per cent living without, you are not going to lose a great deal of revenue by permitting a 15 per cent allowance, or some such allowance, to 10 per cent of the total population. I do not think it should frighten anybody. I think it should be given a little thought at least, and there should be enough discussion so that it can be properly turned down if it is not practical.

If I might, Mr. Chairman, I would like to thank Mr. Hewitt and the Northeastern Ontario Regional Development Council for allowing me, a non-member to appear before you. I am only here as a member of the Northeastern Ontario Chambers of Commerce, I am not a member of that very effective organization. Thank you very much, Mr. Chairman.

The CHAIRMAN: Thank you.

Mr. PETERS: Mr. Chairman, I would like to say a word on this matter of transportation that might interest you. I got off the Canadian National train the other day in North Bay and the train was two and a half hours late. Two interesting things happened. While I was at the station a senior civil servant was there waiting for his girl friend, and he waited the two hours the train was late. He lined up to greet his girl

friend as she got off the train but she was not on it, so he just wasted his time. I got off the train at North Bay with a chap who had just left Italy the day before. It took him seven hours to get to Canada. He arrived in North Bay the next morning and he found that the Ontario Northland bus had left for Timmins 20 minutes before he arrived. You can see the type of co-operation that we have in northern Ontario. I suggested that he go on to Sudbury and take a plane to Timmins because it seemed foolish, considering the speed that he had travelled the rest of the way, for the railway just to say very casually, "Well, there is another bus at 5 o'clock this afternoon".

I would also like to say that we appreciate, Mr. Chairman, your benevolence in the amount of time you have allowed us this morning.

The CHAIRMAN: I do not think that this subject matter, although the bill was mentioned, is really under our jurisdiction.

Mr. WHELAN: The Canadian Development Corporation has been spoken about a great deal, and we have seen Crown corporations developed in areas where private enterprise or the commercial world did not develop this type of thing. I am thinking particularly of Polymer Corporation at Sarnia, and I could think of several others, and the commercial world does not think that we should expand the Canadian Development Corporation as fast as we can to do the type of thing that Mr. Martin spoke about, asbestos processing, and so on, right in the northland by a corporation set up by the Canadian Development Corporation.

Mr. DELVILLANO: Mr. Chairman, before we leave the subject that Mr. Martin brought up, someone else mentioned that just because Falconbridge has been allowed to send the processing business over to Norway or Finland, or wherever they send it, that does not mean that we should keep on doing it. They say, "What if they mention Falconbridge?" Well, we do not care about that. Mr. Martin brought up a good comparison; 1,700 miners in Canada working in asbestos and 28,000 people working in the United States on the same product. Well, just because it happened yesterday we do not want it to happen again. So, let bygones be bygones and let us work for the benefit of Canada. If any plant such as the Sherman mine or Texas Gulf wants to make steel girders, or what have you, let them do it in our area.

We can certainly look forward to improving things, because they have not been improving fast enough. During my lifetime a lot has happened in the development of industry and I think this is going to increase in the years to come. You are going to have to look to new areas for development, and we are a new area in comparison with the rest of the country.

Mr. Chairman, I would like to add my thanks for putting up with us but, at the same time, we are also Canadians and we need attention like the other parts of Canada.

Mr. WHELAN: I did not finish the short comment that I was about to make. The auto pact has certainly had a tremendous impact. These people are regulated by legislation respecting the percentage of production which must be Canadian. This cost summary adjustment is shared in some areas, but over-all it has meant greater employment for the people of Canada.

One other thing, Mr. Chairman. I am surprised that the members who come from the most southerly part of Canada, and also the witnesses, did not make sure that some of the northern press people were represented here today, because I think they have certainly given out a lot of good information that should have been reported. This

should be publicized through the press, and the feelings of the witnesses and members of the Committee should have been reported so that people will know what is going on.

The CHAIRMAN: The time has come for myself as Chairman to sum up. One of the things that I might say is that some time ago Mr. Legault and Mr. Peters, both of whom are representatives of northern Ontario, expressed the feeling that at some point in time they would like to have the development association from their area or some group express their views. We have had some difficulty in scheduling this, but about a week ago we finally got around to seeing our way clear to hear the group. In the meantime the unfortunate events of last week caused a rescheduling of parliament, and therefore we were the only committee sitting this morning. Mr. Peters has been in touch with these gentlemen, and I think there will still be an opportunity to get some press coverage on the matter.

The other thing I would like to say, now that you have come here, is that we have appreciated the opportunity to hear your views. Perhaps you may be thinking, "What is going to happen? Where do we go from here? Is this just another group we have talked to? Must we go on talking?" I gather that some of you are politicians or former politicians or aspiring politicians, would-be politicians, so I think you understand some of the problems.

I think I said at 11 o'clock that all of these groups that have appeared before us must understand and get in perspective what we are talking about. Your comments on the area development agency are valid in the sense that in many cases it is not doing what you want it to do. However, I feel the best suggestion that I can make on where we go from here is that what seems to be needed in the case of northern Ontario, or in any of these other areas, but particularly in northern Ontario as one more or less homogeneous part of the province, is an approach such as a northern Ontario development plan where these things can be tied together, and the primary initiative in that respect, of course, is with the province. That is not to say that the federal government is passing the buck and saying, "This is the province", and the province says, "well, the federal government are involved in tax incentives, and so on". I think when we achieve this agreement there are certain decisions the province has to make about their policies on regional development, and it is from that point that the federal government can be of assistance in helping to attract industry by extending area development or through some other form.

In the case of the Atlantic provinces, for many years they have been engaged in studies in trying to develop an Atlantic provinces development policy, and in that sense they have been more successful than you have. However, as one of the gentlemen pointed out, we still have many problems in the Atlantic provinces. This is not to say that all of these things are working that well, but there is some consensus as to a a development program involving the provincial government and the federal government through the area development agency, through the Atlantic Development Board and through ARDA. Therefore, what is really needed is some rationale for these proposals for northern development, and I think this is what we mean when we say that this involves co-operation between the two governments. I hope you feel that the time you spent here has not been wasted, because we are interested in this field and when we conclude our hearings we will be making some general recommendations.

This business of area development and incentives is a relatively new area, and I think we are feeling our way on the kinds of things we must do. There have been some

changes in various programs and there will continue to be changes. I cannot over-estimate the importance of the province determining in its own area what its priorities are, and where the provinces have done that it has been easier for the federal government to work with them.

I thank you, gentlemen, for coming and I also thank the Committee for their attendance.

Mr. DelVillano: Mr. Chairman, before we leave, could I have your name, please?

The Chairman: Yes, Richard Cashin.

Mr. DelVillano: And what is your capacity?

The Chairman: I am Chairman of the Committee on Industry, Research and Energy Development.

We will send a copy of these proceedings to you when the transcript is ready.

Mr. Kilgour: Will we get it in time to use it in the preparation of our brief?

The Chairman: It takes about a month.

Mr. DelVillano: A month?

Mr. Whelan: If you have any translators up there you can send them down.

The Chairman: We are short of translators.

Mr. DelVillano: Mr. Chairman, why do you not send the tapes up north and we will get some people to work on them.

The Chairman: Well, if you have some translators up there perhaps they can find employment opportunities here, but unfortunately they would have to move to Ottawa.

Mr. Cram: Mr. Cashin and gentlemen, on behalf of members of the Research and Development Council, the committee of the north and other groups, I would like to express their regret, because of the shortness of time, in not being here. It was not because of any lack of interest, and on their behalf I say thank you.

The Chairman: We will now adjourn until next Friday.

Government
Publications

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966-67

STANDING COMMITTEE

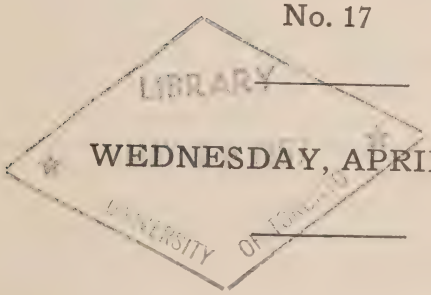
ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. RICHARD CASHIN

PROCEEDINGS

No. 17



WEDNESDAY, APRIL 26, 1967

Including

EIGHTH AND NINTH REPORTS TO THE HOUSE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

25626—1

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Richard J. Cashin

Vice-Chairman: Mr. Ovide Laflamme

and

Mr. Asselin (*Richmond-Wolfe*),
Mr. Beaulieu,
Mr. Bower,
Mr. Chatwood,
Mr. Davis,
Mr. Faulkner,
Mr. Forest,
Mr. Fulton,
Mr. Goyer,
Mr. Grafftey,
Mr. Hales,
Mr. Jamieson,
Mr. Latulippe,
Mr. Legault,
Mr. Lind,
Mr. McCutcheon,
Mr. Peters,
Mr. Reid,
Mr. Saltsman,
Mr. Scott (*Victoria (Ont.)*),
Mr. Sherman,
Mr. Wahn—24.

(Quorum 9)

D. E. Levesque,
Clerk of the Committee.

REPORTS TO THE HOUSE

(Reprint)

Tuesday, March 21, 1967.

The Standing Committee on Industry, Research and Energy Development has the honour to present its

Eighth Report

Pursuant to its Order of Reference dated Friday, June 3, 1966, your Committee had before it the following matter for consideration and report:

> "That the Standing Committee on Industry, Research and Energy Development be empowered to consider the subject-matter of the designated area programme and the criteria thereunder."

Your Committee held 5 meetings and heard evidence from the following witnesses on the aforementioned matter. The witnesses heard were:

1. The Honourable C. M. Drury, Minister of Industry and Minister of Defence Production.
2. Mr. S. S. Reisman, Deputy Minister of Industry.
3. Mr. W. J. Lavigne, Commissioner, Area Development.
4. Mr. J. A. Teeter, Deputy Commissioner, Area Development.
5. Mr. F. V. S. Goodman, Special Assistant to the Minister of Manpower and Immigration.
6. Mr. Harry Bridle, Chairman of the Designated Areas Committee of Mount Forest, Ontario.
7. Mr. Ross McLellan, Secretary of the Designated Areas Committee of Mount Forest, Ontario.
8. Mr. Dan Murphy, Goderich, Ontario.
9. Mr. Arnold Patterson, Mayor of Orangeville, Ontario.
10. Mr. E. B. McInnes, Hanover, Ontario.
11. Mr. H. F. Noonan, Clinton, Ontario.
12. Mr. Dave Kilberg, Listowel, Ontario.
13. Mr. William Irwin, Palmerston, Ontario.
14. Mr. C. Schmaltz, Walkerton, Ontario.
15. Mr. Leo DelVillano, Vice-President of the Northeastern Ontario Regional Development Council, North Bay, Ontario.
16. Mr. John Cram, Cobalt, Ontario.
17. Mr. A. C. Kilgour, North Bay, Ontario.

In view therefore of the present status of, and having completed its inquiry pursuant to the said Order of Reference, your Committee reports

(a) That the Minister of Industry outlined to the Committee the objectives of the Area Development Agency's incentive programme. The Minister told the Committee that the fact that the Department of Industry was established during

25626—1½

a period when chronic unemployment was of concern to the Government largely determined the character of the Area Development programme as it exists today.

The Government introduced this programme to encourage industrial development to take place in those areas where conditions of unemployment were chronic and severe. There was no intention in this legislation to embark upon a programme of industrial development on a national basis. The concern of the programme has been with those areas of chronic unemployment and slow employment growth. The Area Development legislation does not provide for a comprehensive programme of regional development as such. Rather the approach has been to designate, for purposes of this programme, those areas wherever they exist in the country, that are shown by the official statistics to have problems of unemployment and associated conditions that are severe and long-standing.

It is a fact of economic life that localities within a province, and even provinces as between themselves, are often competitors for the opportunities for industrial growth that are available to Canada as a whole. Thus the Federal Government ought to avoid any element in involvement in this competition and must proceed with caution and study in any programme that has regional implications.

The legislation of 1963 provided for a review of the areas that were designated in order to determine the continued eligibility for benefits. At the same time, the Department reviewed the programme and made certain changes both in the criteria in designation, and in the form of assistance available to industry locating in designated areas.

In some designated areas the response of industrial expansion was very marked and employment gains quickly alleviated the conditions of unemployment which had led to designation in the first instance. As a result of this, the review of the programme led to the removal of three NES areas from the list of designated areas.

A further dimension of the Area Development programme consists of its relation to the regional development plans of the Province. The Minister endorsed the principle that programmes of each level of government should be harmonized and particularly in the area of regional development. This should be subject to the responsibility of each level to take action when it is required to do so. The Minister expressed the intention of maintaining the fullest degree of consultation with those Provinces that see this programme as being related to their own programmes for regional development. To this end the changes that were introduced with regard to the new criteria were done so last year only after an extensive round of consultation with the Provinces. On the matter of coordination of the Area Development programme with related policies at the Provincial level, the Minister pointed out that this same problem of coordination exists within the Federal Government itself. Those Federal programmes which have implications for regional development include the ARDA programme, the Atlantic Development Board and certain programmes administered by the Department of Manpower and Immigration. The Minister expressed the view that these programmes complement one another in helping to achieve the objective of full employment across Canada.

The Minister outlined to the Committee some of the results that the programme has achieved. As of September 30, 1966, a total of 798 applications ha

been received from firms stating their intentions to establish in designated areas. Of this number, 620 applications had been approved, or were under consideration, and another 23 had been reserved for final decision.

As of September 30, 1966, the total capital investment represented in active applications amounted to very close to $1¼ billion. The new jobs to be created directly by these investments will be over 40 thousand.

The Minister concluded his report by stating that the Department was conscious of certain imperfections. However, the Department has undertaken a comprehensive programme of studies and development work of their own to try and overcome these limitations. They are examining the possibility of finding a basic geographic unit for designation other than the NES area which would allow the drawing of a fine line in marginal areas. This problem is being investigated with officials of the Dominion Bureau of Statistics and other agencies concerned.

A review of the programme by the Department is underway and approaching completion. As a result of this it was indicated that there may be possible changes in designated areas before April 1, 1967.

(b) The Committee heard representations on some of the problems associated with the Area Development programme from two interested groups in addition to other aspects which were raised by the members of the Committee themselves.

The Committee heard evidence from a delegation representing 47 municipalities in the four Western Ontario Counties of Bruce, Wellington, Huron and Dufferin.

The views of this delegation might be summarized by saying that they were concerned about the lack of new industry that has been attracted to their municipalities over the last few years. The rate of industrial growth in these four Counties is slower than in the larger metropolitan areas of Ontario.

They also were concerned about the adverse effect which the designation of the Georgian Bay area has had on these four Counties. They pointed out that the designation of the Georgian Bay area, while within a separate NES area, was really only part of a larger more natural economic or geographic unit, which included the four above mentioned Counties. They maintained that any new industry interested in their four Counties would be strongly influenced to locate in the Georgian Bay area because of the incentives they would receive and because there were no other significant factors which, for the purposes of industrial development, distinguished these four Counties from the Georgian Bay area.

They thus asked that these four Counties be designated so as to make them competitive with the Georgian Bay area.

They recognized that this could not be done under the present legislation and specifically recommended a change in the legislation that would permit designation of an area in which the average non-farm family income is below $4,600.00, rather than below $4,250.00, or in the alternative rather than using a basis of annual family income, to use the basis of the average industrial income for individual workers.

It seemed to the Committee that other areas in Canada in a similar position to the four above mentioned Counties might make similar suggestions.

The basic problem arising from this situation arises from the designation o areas on the basis of NES areas rather than an economic or geographic area.

It also illustrated to the Committee that in certain instances, the designatio of any area could conceivably have or appear to have an adverse effect on th adjoining area. Another problem raised by this delegation from Western On tario, which the Committee felt might be universally applicable relates to th desire of each municipality to attract as much industry as possible in order t reduce the municipal tax burden on home owners.

The Committee acknowledges that this is a whole new area for discussio and one that is not within its terms of reference. However, the Committee fel that this concern about industrial growth, in order to alleviate the municipal ta burden was a major factor in the competitive activities of various areas of th country in attempting to attract industry.

Further representations were made to the Committee by representatives o the North Eastern Ontario Regional Development Council. While much of th comment of this delegation was similar to that heard previously by the Com mittee, they did illustrate that there were some differences in their concern wit the Area Development Agency's incentive programme. These differences ar largely attributable to the geographic position of Northern Ontario and to it reliance on primary industries. Their basic desire was to have a programm which would help stimulate the growth of secondary industries in Norther Ontario. They pointed out that in the past when at least one part of Norther Ontario was designated under this programme, it was not as successful i attracting industry as the programme had been in other areas of Canada.

Their representations may be summarized by saying they felt that all o North Eastern Ontario should be designated as an area for regional developmen While they recognized that the accomplishment of this end involved more tha its being designated by the Area Development Agency, they felt that this woul be one important aspect of any programme of regional development. They too felt the criteria should be broadened to accomplish this. They pointed out tha unemployment generally was not as great a problem as is the problem o outward migration, and slow economic growth. It appeared to the Committe that what they were really saying was that there should be a policy aimed a attracting secondary industry to regions such as Northern Ontario which hav traditionally been areas of resource development.

(c) The Committee recognizes the inherent difficulties involved in designat ing a programme that will successfully resolve all the problems that were raise It further recognizes that the Area Development Agency's programme is but on instrument to cope with the problem of unemployment and slow economi growth. Some of these problems arise from the possible differences in th objectives of economic regions and national objectives. A further difficulty ma arise from disparities within the same economic region. The Committee wa encouraged to note that the Department is examining the possibility of finding basic unit for designation other than the NES area. It was the view of th Committee that NES areas do not necessarily approximate natural geographic o economic units.

The Committee is also aware of the fact that a further difficulty arises as result of the great difference that exists between areas of the country where th

rate of industrial growth and economic development has been slower than in major industrial centres.

For example, the problems of economic development and industrial growth in Western Ontario and certain parts of the country are different from those areas of Canada which have historically experienced high unemployment, slow economic growth and a standard of living substantially below the national average. The question is then raised as to the difficulties involved in a programme that treats both areas like Western Ontario on the one hand, and Eastern Quebec and the Atlantic Provinces on the other, in exactly the same manner. The former situation suggests that there are pockets or areas in Canada which are relatively close to highly industrialized areas, but which nevertheless have not experienced the same level of development. The latter situation involves areas which have more fundamental problems. There are also regions such as Northern Ontario which share a common problem with Eastern Quebec and the Atlantic Provinces arising from their geographic position, away from the centre of industrial activity in Canada.

This is also true in varying degrees of Western Canada. This surely suggests one obvious complexity facing anyone charged with the administration of the present programme or anyone attempting to change the present programme, namely, the fact that it is expected to do different things in different areas of Canada.

The Committee feels some of the basic problems raised by both individual members and by the two delagations who made representations, are involved in part at least, with the concept of regional economic development. Before any changes could be made in the programme to meet some of the problems enunciated above, and particularly with regard to the concept of regional development and regional planning, there must be the fullest possible discussion and consultation with the Provinces.

In view of the foregoing, the Committee would respectfully submit the following recommendations:

(1) That the Department of Industry continue its review of this programme with particular reference to the criteria to be followed in designating areas;

(2) That at a future date a further opportunity be given to this Committee to further examine the programme of the Area Development Agency.

A copy of the relevant Minutes of Proceedings and Evidence (Issues Nos. 10, 11, 13, 15, 16) will be tabled later.

Respectfully submitted,

RICHARD CASHIN
Chairman

WEDNESDAY, April 26, 1967.

The Standing Committee on Industry, Research and Energy Development has the honour to present its

NINTH REPORT

On Tuesday, March 21, 1967, your Committee presented its EIGHTH REPORT relating to the subject-matter of the designated area programme and the criteria thereunder.

A copy of the relevant Minutes of Proceedings and Evidence (*Issues Nos. 10, 11, 13, 16 and 17*) is tabled.

Respectfully submitted,

RICHARD CASHIN,
Chairman.

MINUTES OF PROCEEDINGS

(*Reprint*)

The Standing Committee on Industry, Research and Energy Development met this day, IN CAMERA, at 9.40 o'clock a.m. The Chairman, Mr. Cashin, presided.

Members present: Messrs. Cashin, Faulkner, Forest, Jamieson, Laflamme, Legault, McCutcheon, Lind, Peters, Reid, Wahn (11).

The Committee proceeded to study a Draft Report to the House.

After discussion it was moved by Mr. Faulkner, seconded by Mr. Wahn,

Resolved,—That the Chairman present the said report as the Committee's EIGHTH REPORT to the House.

At 9.50 o'clock a.m., the Chairman adjourned the Committee to the call of the Chair.

D. E. Levesque,
Clerk of the Committee.

Government Publications

HOUSE OF COMMONS

Second Session—Twenty-seventh Parliament

1967

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. PATRICK T. ASSELIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

THURSDAY, JUNE 8, 1967

Respecting
Main Estimates (1967-68) of the Department of Industry

Including

Appendix A

Main Estimates 1967-68, Department of Industry

Statement

by

The Honourable C. M. Drury, Minister of Industry

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

26916—1

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Patrick T. Asselin

**Vice-Chairman*: Mr. Leonard Hopkins

and

*Mr. Andras,	Mr. Goyer,	Mr. Peters,
Mr. Beaulieu,	Mr. Grafftey,	Mr. Reid,
Mr. Bower,	Mr. Hales,	Mr. Saltsman,
Mr. Cashin,	Mr. Hymmen,	Mr. Scott (*Victoria (Ont.)*),
Mr. Davis,	Mr. Latulippe,	Mr. Sherman,
Mr. Faulkner,	Mr. Legault,	Mr. Wahn—24.
Mr. Forest,	Mr. Lind,	
Mr. Fulton,	Mr. McCutcheon,	

(Quorum 13)

Hugh R. Stewart,
Clerk of the Committee.

* Replaced Messrs. Addison and Jamieson on June 7, 1967.

ORDERS OF REFERENCE

HOUSE OF COMMONS,

FRIDAY, May 19, 1967.

Resolved,—That the following Members do compose the Standing Committee on Industry, Research and Energy Development:

Messrs.

Addison,	Fulton,	Lind,
Asselin (*Richmond-Wolfe*),	Goyer,	McCutcheon,
Beaulieu,	Grafftey,	Peters,
Bower,	Hales,	Reid,
Cashin,	Hymmen,	Saltsman,
Davis,	Jamieson,	Scott (*Victoria (Ont.)*),
Faulkner,	Latulippe,	Sherman,
Forest,	Legault,	Wahn—(24).

THURSDAY, May 25, 1967.

Ordered,—That, saving always the powers of the Committee of Supply in relation to the voting of public monies, the items listed in the Main Estimates for 1967-68, relating to the Department of Industry be withdrawn from the Committee of Supply and referred to the Standing Committee on Industry, Research and Energy Development.

WEDNESDAY, June 7, 1967.

Ordered—That the names of Messrs. Andras and Hopkins be substituted for those of Messrs. Addison and Jamieson on the Standing Committee on Industry, Research and Energy Development.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House of Commons.

26916—1½

REPORT TO THE HOUSE

THURSDAY, June 8, 1967.

The Standing Committee on Industry, Research and Energy Development has the honour to present its

FIRST REPORT

Your Committee recommends that its quorum be reduced from 13 to 9 members.

Respectfully submitted,

Patrick T. Asselin,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, June 8, 1967.
(1)

The Standing Committee on Industry, Research and Energy Development met at 10:10 a.m. this day, for purposes of organization.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Bower, Cashin, Forest, Goyer, Hales, Hopkins, Hymmen, Latulippe, Legault, Lind, Peters, Reid, Scott (*Victoria (Ont.)*), Sherman and Wahn. (16).

In attendance: From the Department of Industry: Honourable C. M. Drury, Minister and Mr. S. S. Reisman, Deputy Minister.

The Committee Clerk attending, and having called for nominations, Mr. Lind moved, seconded by Mr. Reid, that Mr. Asselin (*Richmond-Wolfe*) do take the Chair of this Committee as Chairman.

On motion of Mr. Forest, seconded by Mr. Hales,

Resolved—That nominations be closed.

Mr. Patrick Asselin having been declared duly elected thereupon took the Chair and thanked the members for electing him as Chairman.

Mr. Reid moved, seconded by Mr. Cashin, that Mr. Hopkins be elected Vice-Chairman of this Committee.

On motion of Mr. Forest, seconded by Mr. Scott (*Victoria (Ont.)*),

Resolved—That nominations be closed.

The Chairman declared Mr. Hopkins elected as Vice-Chairman.

On motion of Mr. Wahn, seconded by Mr. Cashin,

Resolved—That the Chairman and four members appointed by the Chairman do compose the Subcommittee on Agenda and Procedure.

On motion of Mr. Legault, seconded by Mr. Reid,

Resolved—That the Committee print from day to day 750 copies in English and 300 copies in French of its Minutes of Proceedings and Evidence.

On motion of Mr. Cashin, seconded by Mr. Hales,

Resolved—That the items listed in the Main Estimates for 1967-68 relating to the Department of Industry be printed as an appendix in Issue No. 1 of the Minutes of Proceedings and Evidence of this Committee (*See Appendix A*).

On motion of Mr. Cashin, seconded by Mr. Wahn,

Resolved, on division—That the Committee recommend to the House that its quorum be reduced from 13 to 9 members.

The Chairman read the Committee's Order of Reference dated Thursday, May 25, 1967 and he called the first item of the estimates of the Department of Industry:

Item 1 Departmental Administration etc. $10,568,300.

The Committee agreed to hear an opening statement by the Minister of Industry. The Chairman introduced the Honourable C. M. Drury, Minister of Industry who read a statement, copies of which were distributed to the members. The statement referred to items in the Main Estimates 1967-68 of the Department of Industry (*See Appendix A*). The Chairman, on behalf of the members, thanked the Minister for his opening remarks.

Two of the members made suggestions concerning the scheduling of future meetings, with a view to accommodating members and witnesses, and concerning the possibility of visits to departmental facilities in the Ottawa area. The Chairman will refer these suggestions to the Subcommittee on Agenda and Procedure for its recommendations.

At 11:05 a.m., the Committee adjourned to the call of the Chair.

Hugh R. Stewart,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

Thursday, June 8, 1967.

The Chairman: Gentlemen, as I mentioned before, the order of reference was the estimates of the Department of Industry. We have the Minister of Industry with us today who would like to make a statement and, therefore, I shall formally call Item No. 1 of the estimates of the Department of Industry and introduce to you the Minister of Industry.

Hon. C. M. Drury (Minister of Industry): Thank you, Mr. Chairman. I understand that the sitting this morning of this Committee has to be relatively short. I have quite a long statement to make with respect to the Department of Industry which I think it would be useful for the Committee members to have. There are additional copies of it. Perhaps, Mr. Chairman, you would like to circulate this statement some time before the minutes appear. Would you like to do that?

The Chairman: Yes.

Mr. Drury: Because of the time element I will read this statement perhaps rather more with speed than with eloquence and I will do it, with the forbearance of the Committee, all in English.

Mr. Chairman:

This is the first occasion that your Committee has had before it the Estimates of the Department of Industry. I welcome the opportunity to be able to provide more information concerning the functions and activities of my Department than is possible when Estimates are in the Committee of Supply. While you will recall that your Committee has looked into the Industrial Research and Development Incentives Act and has also studied the Area Development Program, I believe that this present meeting will permit me to answer questions on the whole range of work carried out by my Department. I know from the discussions that have taken place in the House, as well as from my previous appearances before you, that there is an interest on the part of this Committee in gaining a full appreciation of the activities of my Department and the impact they are having on the Canadian economy. With your permission, Mr. Chairman, I thought it might be appropriate if I made an opening statement on the functions of my Department and outlined some of the many programs in which we are engaged. I would also hope to be given the opportunity to comment on some of the new projects which we are undertaking and which are reflected in the Estimates before you. I would be pleased to go into as much detail as you may wish on any of the activities of my Department. To help in this, I have with me today my Deputy Minister, Mr. Simon Reisman, and several other senior officials.

Last May, when the Estimates of my Department were last considered by the House, I made a statement then that "we must place a high premium on improving productivity." I went on to say that "to the extent that we can achieve an improvement in productivity we will also be able to achieve our other economic goals such as stable prices and a viable balance of payments."

Since that time, there has been a great deal of public discussion on the importance of productivity improvement and the respective roles of industry, labour and government in achieving it. You will recall that in his Annual Report for 1966, the Governor of the Bank of Canada stated that "diverging movements in costs and productivity such as we have been seeing recently cannot go on for long without seriously affecting the Canadian economy and in particular its international competitive position."

The Economic Council has highlighted the importance of productivity growth to the economic well-being of Canada in each of its three Annual Reviews. Its overall position in this matter is well summarized in its Second Annual Review in which they say: "Continuing improvements in productivity are an essential basis for the satisfactory achievement of all our social and economic goals. Rising productivity, is at one and the same time, the indispensable condition for the achievement of rising standards of life and a powerful factor in the circumstances required to ease

the possible strains and conflicts among the various aims and purposes of our increasingly complex society. In addition to enlarging incomes, improvements in productivity are important for increasing profitability and competitiveness of Canadian industry, for better interregional balance, for providing growing resources for special purposes, and for maintaining a viable balance of payments."

The Minister of Finance, in his recent Budget Speech, gave a most lucid expression of the Government's concern for the need to improve our productivity when he stated that "we Canadians have not taken to heart the obvious point that increases in our incomes must be founded upon increases in our productivity if we are to avoid self-defeating and inflationary efforts to profit at one another's expense."

(Translation)

Mr. Latulippe, have you the French version?

Mr. Latulippe: No, I have not.

Mr. Drury: There is a French version, if you want it.

The Chairman: Yes, Mr. Latulippe, we have a French version. I have it here. You will be better able to follow with it. Excuse me; I should have given you a copy before the meeting began.

• (10:30 a.m.)

(English)

Mr. Drury: These three key economic factors all focus on the same central theme—the importance of productivity growth to expansion of output, price stability, reduced costs and higher real incomes.

I think at this point it might be useful if I defined productivity. In the broadest terms, productivity means the output or value added per unit of input per period of time. Since productivity relates output to inputs, it is a measure of the efficiency with which we use our resources, including labour and capital.

As an economic department of government with particular responsibility for promoting the establishment and growth of manufacturing and processing industries in Canada on an efficient and competitive basis, the Department of Industry has as its principal mission the enhancement of the productivity performance of Canada's industrial economy.

In our form of economic system, the role of government in the industrial development field has traditionally been limited to the a plication of broad economic policies of a cor mercial, fiscal or monetary nature. More r cently, Canada has recognized the need f industry and government to work more clos ly together in focusing on specific econom and technological problems and in form lating mutually acceptable solutions whi are beneficial to the economy as a who With the establishment of the Departme of Industry, the Government has creat an instrument which can contribute direct to the attainment of this objective. With mandate from Parliament to acquire a d tailed knowledge of manufacturing industri in Canada, and to develop and carry out pr grams to promote the establishment, grow efficiency and improvement of these indu tries, my Department has recruited and dev oped a group of professionals to formula and implement imaginative programs to bri about constructive changes in Canadian i dustrial thinking and practice.

Our initial years of operation were char terized by recruitment of staff, policy a program formulation and the implementati and initial operation of a few important pr grams. The Estimates for fiscal year 1967- reflect the maturing of several programs a their growing utilization by the Canadian dustrial community. In addition, the Estima reflect the consolidation within the Depa ment of Industry of existing government dustrial development programs. Of the to increase in our Estimates for the fiscal ye 67-68 over the fiscal year 66-67 of $96.2 m lion, almost $70 million of this amount accounted for by transferred programs, wh $27 million covers the requirement for creases in existing programs.

These amounts of money, while lar should not be regarded merely as expen tures. Rather, they should be looked upon investments, of both time and money, in grading the productivity and competitive pc tion of our industries. It is from this source should be remembered, that will come improvements in wages and salaries, pro and tax revenues for all levels of governm required to pay for all those things in private and public sectors which Canadia have come to expect from our society.

In examining the Estimates of the I partment of Industry, it may be helpful the Committee to see them in the context the Department's mission and the basic proach it has developed for carrying it c

My approach and the approach of my Departmental managers is to test each and every proposal which come before us from outside or from within the Department with one fundamental question. Is it likely to contribute to improved performance for Canadian industry with a high benefit cost yield? I would hope that the Committee would apply a similar test in examining our various programs and activities.

When it comes to specific actions, of course, there is no magic formula, no royal road to improved industrial performance. We must work on many fronts—some modest and others rather ambitious. Some will be quick to take effect—others will be much more gradual in their impact. Our work embraces such diverse measures as the rationalization and restructuring of an entire industry, the gathering and dissemination of valuable industrial information, the stimulation of research and development, the improvement of industrial design, the fuller utilization of human and natural resources in underemployed regions, the provision of adjustment assistance of both a financial and technical nature, missions abroad to learn from others, the formulation of more and better industrial standards, informed inputs in the formulation of economic policies generally to ensure that the effects on our industrial performance is fully recognized—and in many other areas.

The Estimates before you are intended to finance activities in each of these varied fields. These represent only the beginning of the Department's work. I intend that each year we will come forward with new programs —some of which at least will be of major significance. The test that I will apply—and I hope that you will accept it as the right test—is the degree to which they contribute to the expansion of efficient production and the improved productivity performance of the Canadian economy.

Before commenting on each of the items sted in the Estimates, I think it might be elpful if I outlined briefly the major areas of ur work in order to give the members of this ommittee an over-all view of departmental perations.

First, the Department has formulated and is ow administering a number of major programs designed to improve the overall economic performance of particular manufacturing industries. These activities include the utomotive Program and the Shipbuilding rogram. The formulation of programs to deal ith particular problems and to create new opportunities for efficient expansion is well advanced in a number of other important industries. In addition, the Department has programs of general application to industry, such as those to stimulate technological innovation and to improve our industrial design capability.

The second major area of departmental activity relates to the provision of information and assistance to individual firms, industry associations and others, for the purpose of aiding sound economic development. This assistance includes the undertaking of special import studies relating to specific manufacturing opportunities, as well as the provision of technical advice and information on laws, regulations and other matters affecting the conduct of business in Canada.

The third major area of departmental activity is concerned with those elements of domestic and international economic policy which are primarily the responsibility of other government departments and agencies and which have a bearing on the growth and efficiency of manufacturing and processing industries in Canada. The Department serves to ensure that the implications for Canadian industry of governmental policies and programs are brought forward and taken carefully into account. The Department takes an active interest in such matters as taxation, trade and tariff policy, restrictive trade practices, manpower planning, transportation, energy, and the financing of Canadian industry, since the development of policy in these diverse fields has a direct impact on the prospects for Canadian industry.

In these areas of public policy, the principal concern of the Department is to encourage a general climate which will help to bring about productivity increases, greater specialization and larger scale production, and thereby improve the competitive position of our industry.

The achievement of an expanding, more productive and more competitive manufacturing sector will require substantial changes in the structure and performance in many sectors of Canadian industry. Tasks of this magnitude will take time and will involve fundamental adjustments, for both workers and firms, during a transitional period. The Department is particularly concerned with easing the problems of adjustment to enable industry to take full advantage of new opportunities for growth.

As an example, the Department provides the financial resources and the staff support

for the Adjustment Assistance Board, which was established to provide transitional assistance requirements arising out of the Automotive Program. The purpose of this form of assistance goes beyond the concept of compensation. It has the positive purpose of facilitating adaptation to change required to secure economic benefits for the country as a whole. This approach to economic change is gaining wide acceptance in many countries and in Canada has received strong support from the Economic Council of Canada.

I would now like to deal specifically with each of the items listed in the Estimates. The major item in Vote 1 (Administration) is the cost of salaries and wages. It is interesting to note, however, that this portion of the Administration Vote is declining in relation to the other factors that make up this Vote. Other objects of expenditure, such as those related to our promotional efforts to upgrade productivity, are increasing in importance. The major reason for the increase in salaries and wages is accounted for by the transfer of 97 positions from the Department of Defence Production to the Department of Industry to carry out administrative functions. I would like to emphasize that, in both absolute terms as well as in relation to the size of its mission and the programs which are now operational, the Department is small. I intend that it will have not a single staff member more than is absolutely necessary to fulfill the mandate which Parliament gave it.

You will see from our Estimates that we attach a good deal of importance to providing the business community with current information on the opportunities available to them for improving their performance. This activity includes co-sponsoring research studies, the publication of reports on a wide range of technological, commercial, financial and market problems, and the sponsorship of technical missions, conferences and seminars to increase knowledge of current practice at home and in other countries.

The Department is continuing its efforts to assist Canadian business in improving the design of Canadian products through a variety of projects. Its programs include: scholarships and grants to provide financial assistance to students of industrial design for advanced study in Canada and abroad, and maintenance of the Canadian Design Index and the Register of Designers which provide data on products of Canadian designers, design and information to industry on designers and design services.

The Department maintains a Design Centre in Toronto to focus the attention of manufacturers, distributors, buyers and the general public on the need for well-designed products. The Department and the National Design Council will establish a second national design centre in Montreal in the near future.

● (10:40 a.m.)

The Department continues to co-operate with manufacturers' associations and professional groups in co-sponsoring a series of design award programs. Such programs have already been carried out in the field of structural steel, wood products, electrical appliances and steel products.

While these projects involve an element of direct cost, their major cost impact is for the salaries and wages of personnel who plan and organize them. I believe that the results we have had to date from this activity justify the costs incurred. I am confident that our proposed expenditures for 1967-68 will be no less successful.

A major element in the Department's work program relates to the provision of financial assistance to Canadian firms to upgrade their technological capability in order to improve their productivity and competitive position.

Section 72 of the Federal Income Tax Act allows a taxpayer to deduct from income all his expenditures of a current nature for scientific research and all his expenditures of a capital nature (for the acquisition of property other than land) for scientific research in the year in which they are incurred. In 1962, a special incentive was introduced under Section 72A of the Act, which permitted a corporation to deduct an additional allowance equal to fifty per cent of the increase in such expenditures in Canada over those in the last taxation year of the corporation ending before April 11, 1962. This incentive was applicable in each taxation year from 1962 to 1966 inclusive, and was administered by the Department of National Revenue.

As a result of the favourable experience with the income tax incentive, the Government decided to continue to provide a general incentive for scientific research and development after 1966 when the tax incentive expired. Accordingly, the Industrial Research and Development Incentives Act was enacted in March 1967 "to provide general incentives to industry for the expansion of scientific research and development in Canada." The Act incorporates several features designed to broaden the availability of the incentive to

make it more effective than the previous tax incentive.

The new incentive provides for Canadian corporations to receive cash grants or credits against federal income tax liabilities equal to 25 per cent of:

(a) all capital expenditures (by acquiring property other than land) for scientific research or development in Canada; and

(b) the increase in current expenditures in Canada for scientific research and development over the average of such expenditures in the preceding five years.

To qualify for a grant, expenditures must be for scientific research and development which, if successful, is likely to lead to or facilitate an extension of the business of the corporation. Accordingly, corporations must undertake to exploit the results of the research and development in Canada, unless according to sound business judgment it would be uneconomic to do so. Furthermore, corporations must normally be free to export products resulting from the research and development to all countries of the world.

Grants made under the Act are not subject to federal income tax and are in addition to the normal 100 per cent deduction of all expenditures for scientific research and development permitted under Section 72 of the Income Tax Act.

By making the new incentive available as a cash grant, and not just a tax allowance, corporations in lower tax brackets, as well as corporations with no taxable income, are able to enjoy the same benefits as corporations subject to income tax at a rate of 50 per cent. Furthermore, by segregating and allowing all capital expenditures for scientific research and development to qualify for the 25 per cent bonus, corporations are able to take advantage of the new incentive to invest in facilities and equipment for research and development without prejudicing their ability to qualify for the incentive with respect to their increases in current expenditures for research and development.

For expenditures made on scientific research and development in calendar year 1966, corporations may elect to take the benefit available under Section 72A of the Income Tax Act, or the benefits provided under the Industrial Research and Development Incentives Act.

The Program for the Advancement of Industrial Technology (PAIT) was established by the Department of Industry in July 1965. It is designed to stimulate industrial growth by the application of science and technology to the development of new or improved products and processes for the commercial market. The 1967-68 Estimates provide $13 million for this program.

The basic aim of the program is to help industry upgrade its technology and expand its innovation activity by underwriting specific development projects which involve a significant advance in technology and which, if successful, offer good prospects for commercial exploitation. Assistance under the program is available to individual Canadian companies or groups of Canadian companies for development projects to be carried out and exploited in Canada.

Companies are normally expected to have the capacity to undertake the development work and also to provide for the manufacture and marketing of the resulting product or use the resulting process. However, companies may sub-contract portions of the development work to other companies, research institutes, universities or consultants where this is desirable.

Support is concentrated on the development of new products and processes which serve to enhance productivity and contribute to economic growth. Wherever appropriate, emphasis is shared on the fuller use of Canada's natural resources, skills and environmental advantages to establish a unique capability or technical leadership.

The initiative in choice of development projects and the responsibility for their direction and execution rest entirely with industry. Applications from companies for assistance under the program are appraised by the Department as to the technical and commercial feasibility of the project, and the capabilities, facilities and other resources of the company to carry it out.

The Department contributes up to 50 per cent of the total cost of approved development projects, including the cost of special equipment and prototypes required to achieve and demonstrate the technical objectives. However, it is not the purpose of the program to finance the establishment of a business, or the acquisition of general purpose capital facilities, or to cover the costs of setting up production.

When the project meets with commercial success the company is required to repay the Department's contribution with interest. The

rate of repayment is negotiated, and is related to the commercial utilization of the product or process having regard for the market expectations. It is calculated in such a way as to provide for the Department to recover its contribution, together with interest, within a period not exceeding ten years from the date of the first commercial sale or use by the company. If the project is not successful or the results are not put into commercial use, the company is not required to repay the Department's contribution.

Normally, the company's share of the development costs and its repayments of the Crown's contribution are deductible from income under the Federal Income Tax Act and may be included in applying for a grant under the Industrial Research and Development Incentives Act.

In order to ensure expeditious and effective exploitation of the results of development projects, title to patents, designs, information and equipment resulting from the project are held by the company. However, companies are required to give an undertaking that, if the project is successful, they will exploit the results in Canada within a reasonable period of time, and will not transfer the results to persons outside of Canada for the purposes of production without the prior consent of the Minister.

To March 31, 1967, 74 development projects estimated to cost in total more than $30 million had been approved under the program. Individual projects range in cost from $23,000 to several million dollars. It is estimated that total expenditures in fiscal year 1967-68 for these approved projects and for new projects initiated in fiscal year 1967-68 will be $13.0 million and that total commitments for these projects during fiscal year 1967-68 and subsequent fiscal years will amount to $40.0 million.

Vote 5 provides funds for departmental activity to sustain technological capability in Canadian industry by sharing the cost of selected defence development projects. In some cases project costs are shared with the United States and other allied governments. $25 million has been requested for expenditure in 1967-68. Experience indicates that this level of government assistance will provide upwards of $55 million worth of research and development activity in industry per year.

Since the inception of the program, 109 development projects have been supported from the Vote. Expenditures to date amount to $103 million. Of the projects supported, 53 costing $53 million have been completed and/or are achieving sales. The values of sales to date related to these projects is $658 million.

One of the more serious limitations on the expansion of innovation activity in Canadian industry is the shortage of professional manpower and the lack of suitable laboratory facilities for this purpose. It is estimated that over 85 per cent of our manufacturing firms are too small, in terms of size and financial resources, to sustain an independent research or development effort. At the same time, there exists within our universities a substantial reservoir of scientific talent and equipment which might be brought to bear on this problem, given suitable institutional arrangements. In the United States, contract research institutes associated with universities have made a significant contribution to the advancement of industrial technology in the post-war era.

• (10:50 a.m.)

The department has a new Industrial Research Institute program whose purpose it is to provide financial assistance to Canadian universities to help them establish industrial research institutes as a framework within which they may undertake contract research on behalf of industry. By tapping the latent potential of the universities' staffs and facilities, the program should alleviate, in part, the shortage of technical resources available to industry to expand their innovation activities and to solve scientific problems for industries too small to support their own research staff. This program is also expected to foster closer relationships between industry and the universities and to serve the dual purpose of bringing the universities into closer contact with industry needs, and, at the same time, acquainting industry with the latest advances in science and technology. While the basic objective of the program is to provide scientific services to industry, it is hoped that institutes will also be able to provide supplementary educational services for industry in the form of specialist training, refresher courses and technical seminars.

To qualify for assistance under the program, industrial research institutes must be wholly-owned by a Canadian university and utilize the facilities of the university. The Department's contribution normally takes the form of a grant to cover the costs of administering the institute, including the salaries of managerial and administrative staffs rental of offices, costs of office supplies, and similar

administrative expenses, during the initial years. The Department does not contribute to the direct costs of conducting research on behalf of industrial customers. Institutes are expected to become self-supporting in the longer term.

In 1964 the Defence Industry Modernization Program was initiated to stimulate defence exports and thereby assist in the maintenance of the Canadian industrial defence base. The two main aspects of the program are:

(i) to assist industry in acquiring capital items to upgrade manufacturing capability;

(ii) establishment of Canadian sources by:

(a) assisting with pre-production engineering and special tooling costs required to produce defence exports items,

(b) assisting with non-capital costs required to establish a qualified source of components or equipment.

The assistance was initially provided hrough Vote 5 (Department of Defence Production) but on April 1, 1967, the esponsibility for the administration of the Defence Industry Modernization Program was ransferred to the Department of Industry, nd accordingly Vote 20 (Department of Industry) replaces Vote 5 (Department of Defence Production)

Since the program is directed to the Defence industry sector, the bulk of expenditures (approximately 80 per cent in fiscal year 966-67) have been made in the aircraft and lectronics industries.

Vote 15 of the Department of Industry provides for the subsidy program for commercial ew ship construction. This program provides subsidy rate of 25 per cent for vessels, other han fishing trawlers, for the period 1966-69, fter which time it will be reduced by 2 per ent each year until a subsidy rate of 17 per ent is reached in 1972. The current subsidy ate of 50 per cent for fishing trawlers is being ontinued. Since its reinstatement in 1966, ver 100 ships have received a subsidy under his program.

I would now like to say just a few words bout two other major programs of the Department of Industry—the Automotive Program and the Area Development Program.

Since the purpose and terms of the utomotive Program have been outlined to ou on many occasions, I do not propose taking up your time with a detailed review of the Program. I would like, however, to use this opportunity to bring you up to date on the results which have been achieved.

Already the program and the automotive measures adopted earlier by the Government in November 1963, have had substantial beneficial effects. To date, the industry announced the expansion of, or concrete plans for expansion of, 168 plants. In addition, it has announced the establishment of 91 new plants in Canada, making a total of 259 plant expansions or new plants. This expansion includes assembly facilities for cars, production and assembly facilities for trucks and buses, technologically advanced engine plants, a large new trim plant, new installations for commercial vehicle frames, stamping plants and other facilities to manufacture efficiently many other automotive products.

Many of these new and enlarged facilities are being designed to service not only the Canadian market but the United States and other markets as well. Expansions are also taking place in the materials supplying and service industries which rely upon the automotive industry as one of their major customers.

Production during the first year of the Automotive Program totalled over 855,000 motor vehicles, a 28 per cent increase over 1964 and a 35 per cent increase over 1963. The value of shipments of motor vehicle parts and accessories for model year 1966, the latest complete production year, shows a 73 per cent increase over model year 1963, which was the last model year prior to the introduction of the automotive measures in the fall of 1963.

During 1966, the average number of workers in the automotive industries increased by 15,900 persons, a growth of 23 per cent over 1964. More than 8,500 of these additional jobs are in the auto parts industry.

Exports of Canadian automotive products have been expanding rapidly under the Program. During 1966, exports to all countries amounted to more than $1 billion, an increase of 437 per cent over the same period in 1964, and 176 per cent greater than in 1965. *Imports, on the other hand, increased by 41 per cent in calendar year 1966 over the same period in 1965.* Exports to the United States during 1966 increased to $845 million, compared with $233 million during 1965 and only $99 million in 1964. This represents annual increases of 263 per cent (1966 over 1965) and 134 per cent (1965 over 1964); over the two-year period there was a 750 per cent increase.

This substantial increase in Canadian exports has contributed favourably to Canada's balance of payments and trade. For many years, Canada has had a large and growing adverse balance of trade in motor vehicles and parts. The very substantial increase in exports has reversed this trend and in the last year has actually reduced the trade imbalance in this sector.

There is one further point I would like to make regarding the Automotive Program. During the past few months, there has been a great deal of discussion as to what the situation would have been in the industry as a consequence of the downturn in demand for automobiles if we did not have the Automotive Program. I think you will be interested to learn that for the first nine months of model year 1967, motor vehicle production in the United States was 14 per cent less than in the same period in 1966. By contrast, Canadian motor vehicle production was off by only 4 per cent.

The Automotive Program is intended to bring about expansion and increased efficiency in the Canadian automotive industries. However, some parts producers may find it necessary to dispose of, or convert, existing equipment and develop new lines; others may have opportunities to expand their facilities to handle an increased volume.

In order to ensure that no legitimate need for capital is unfulfilled, a special fund has been voted by Parliament each year since June 1965, from which loans are made to parts makers, material suppliers and tooling manufacturers to the automotive industry, who must re-equip their facilities because of the Automotive Program but who are unable to do so through lack of financing. These loans carry an interest rate of 6 per cent and are repayable over not more than 20 years for land and buildings and 10 years for machinery, equipment, and working capital. Included in the loans, Investments and Advances portion of the Estimates for the fiscal year 1967-68 is a fund of $30 million for this purpose.

The administration of this fund is the responsibility of the Adjustment Assistance Board, under the chairmanship of Professor Vincent Bladen and composed of the Deputy Minister of Industry, Finance, Trade and Commerce, Labour and National Revenue. To date, the Board has processed 38 loans totalling approximately $29 million. At the present time, 8 applications are being investigated for an additional possible loan total of $9.5 million.

The Board has been assigned the responsibility of examining applications for tariff remission for production machinery and equipment not available in Canada, when used in the manufacture of original equipment automotive parts and accessories, or when used in the manufacture of tooling used in the production of such parts and accessories and to advise the Minister of Industry whether remission of tariffs should be recommended. Remissions of up to 99 per cent of duty and the sales tax paid on the duty may be granted under Section 22 of the Financial Administration Act. To date, the Board has processed 34 claims and has proposed that remission amounting to $284,900 be granted. The Board has 19 applications for remission under review.

• (11:00 a.m.)

Since earlier this year, the Committee has already considered in detail the Area Development Program. I do not propose to make specific reference to it unless that is your wish.

Mr. Chairman, I have attempted to provide you and your Committee with an insight into the basic philosophy and the major programs of my Department. The improvement of the productivity of a major sector of our economy is a very exciting challenge. No one can dispute the difficulties in obtaining positive results. And yet, it is a task which must succeed. My Department has accepted this challenge and I believe it has introduced bold and imaginative measures designed to help fulfill its mission. A number of new programs are almost ready for implementation and others are in an advanced stage of formulation. I hope to be able to say more about these when my next Estimates are before you.

If there are any questions, gentlemen—I hope I have finished within the time span—I shall be glad to deal with them.

The Chairman: Thank you very much, Mr Drury, for that very interesting and very informative statement. It was agreed, of course that we would finish this meeting by 1 o'clock. In order to make sure that all the Committee members can absorb this statemen I would suggest that we adjourn this meeting at the call of the Chair. Everybody will be notified when the next meeting will take place I will contact the Minister to find out when he will be able to come back and also the coordinator of committees to schedule another time.

Mr. Cashin: Mr. Chairman, I was wondering if some effort might be made through the steering committee to find out something about the schedule of members during the next month because in the last session—and I think this was the experience of all the committees—about one third were here just about all the time; about a third were here intermittently and about a third we seldom saw. I was wondering if the steering committee could get some idea of the days the members—Tuesdays and Thursdays—that all the present 24 members on this Committee could be available so that you would have some idea in advance of the schedule. It may be that some members are on a lot of committees that are sitting now, whereas other members at the present time may not have many active committees. Perhaps we may be able to find a couple of additional people to attend our meetings.

The Chairman: Perhaps you would allow me to discuss this with the co-ordinator of committees, Mr. Deachman, and I will be able to try to work out a time schedule where the least number of members have other commitments. Is that agreeable to you?

Mr. Peters: Would you also enquire as to what the time table is going to be before the recess so that we know whether or not witnesses could be called and what the operations of this Committee should be. Also, would it be possible for the Committee to visit some of the facilities that are in the Ottawa area with a view to seeing what the department does. It is a new department and I do not think most of the members are familiar with the physical operation. I think many of us learned something from visiting the National Research Council last year. We are in a better position to talk about some of the physical facilities—

The Chairman: I would suggest that we could bring this up in the steering committee and report back on both questions.

Gentlemen, if there are no further questions the meeting is adjourned.

APPENDIX A

INDUSTRY

MAIN ESTIMATES, 1967-68

26916—2

INDUSTRY

No. of Vote	Service	1967–68	1966–67	Change	
				Increase	Decrease
		$	$	$	$
(S)	Minister of Industry—Salary and Motor Car Allowance (Details, page 239)	17,000	17,000		
1	Departmental Administration, including grants as detailed in the Estimates (Details, page 239)	10,568,300	7,195,400	3,372,900	
5	To sustain technological capability in Canadian industry by supporting selected defence development programs, on terms and conditions approved by the Treasury Board, and to authorize, notwithstanding section 30 of the Financial Administration Act, total commitments of $60,000,000 for the foregoing purposes during the current and subsequent fiscal years (Details, page 241)	25,000,000	25,000,000		
10	To advance the technological capability of Canadian manufacturing industry by supporting selected civil (non-defence) development projects, on terms and conditions approved by the Treasury Board, and to authorize, notwithstanding section 30 of the Financial Administration Act, total commitments of $40,000,000 for the foregoing purposes during the current and subsequent fiscal years (Details, page 241)	13,000,000	8,770,000	4,230,000	
15	Capital subsidies for the construction of commercial and fishing vessels in accordance with regulations of the Governor in Council (formerly under Canadian Maritime Commission) (Details, page 241)	30,000,000	.....	30,000,000	
20	Payments, subject to the approval of the Treasury Board, for certain programs to assist defence manufacturers: (a) with defence plant modernization, by paying one-half the cost of acquisition of new equipment; and (b) in the establishment of production capacity and qualified sources for production of component parts and materials (Details, page 241)	12,000,000	.....	12,000,000	
(S)	Incentives for the development of industrial employment opportunities in designated areas in Canada (Details, page 241)	29,000,000	10,000,000	19,000,000	
—	Appropriation not required for 1967–68 (Details, page 242)	.....	1	.....	1
(S)	General incentives to industry for the expansion of scientific research and development in Canada (Details, page 242)	27,200,000	.....	27,200,000	
		146,768,300	50,965,401	95,802,899	
	SUMMARY				
	To be voted	**90,568,300**	40,965,401	49,602,899	
	Authorized by Statute	**56,217,000**	10,017,000	46,200,000	
		146,785,300	**50,982,401**	**95,802,899**	

Positions (man-years)		Details of Services	Amount	
1967–68	1966–67		1967–68	1966–67
			$	$
		Approximate value of Major Services not included in these Estimates		
		Accommodation (provided by the Department of Public Works)	380,000	262,000
		Accounting and cheque issue services (Comptroller of the Treasury)	30,800	26,200
		Contributions to Superannuation Account (Treasury Board)	413,000	207,800
		Contributions to Canada Pension Plan Account and Quebec Pension Plan Account (Treasury Board)	36,000	42,100
		Employee surgical-medical insurance premiums (Treasury Board)	26,300	18,000
		Advisory and Administrative Services (Department of Defence Production)	1,150,000	868,000
		Employee compensation payments (Department of Labour)	100	
		Carrying of franked mail (Post Office Department)	31,700	4,900
			2,067,900	1,429,000
		Statutory—Minister of Industry—Salary and Motor Car Allowance		
		Salary (1)	15,000	15,000
		Motor Car Allowance (2)	2,000	2,000
			17,000	**17,000**
		Vote 1—Departmental Administration, including grants as detailed in the Estimates		
		Salaried Positions:		
		Executive, Scientific and Professional:		
1	1	Deputy Minister ($27,000)		
1	1	Commissioner, Area Development Agency ($22,680)		
3	3	Senior Officer 3 ($20,500–$24,750)		
10	7	Senior Officer 2 ($18,500–$22,750)		
15	14	Senior Officer 1 ($16,500–$20,500)		
1	1	($18,000–$20,000)		
7		($16,000–$18,000)		
13	18	($14,000–$16,000)		
1	2	($12,000–$14,000)		
	1	($10,000–$12,000)		
		Administrative and Foreign Service:		
53		($16,000–$18,000)		
268	39	($14,000–$16,000)		
16	95	($12,000–$14,000)		
13	139	($10,000–$12,000)		
8	20	($8,000–$10,000)		
	1	($6,000–$8,000)		
		Technical, Operational and Service:		
5		($12,000–$14,000)		
6		($10,000–$12,000)		
4	10	($8,000–$10,000)		
15	3	($6,000–$8,000)		
	4	($4,000–$6,000)		

26916—2½

Positions (man-years)		Details of Services	Amount	
1967–68	1966–67		1967–68	1966–67
			$	$
		Vote 1 (Continued)		
		Salaried Positions: (Continued)		
		Administrative Support:		
149	1	($6,000–$8,000)		
177	224	($4,000–$6,000)		
8	41	(Under $4,000)		
774	625			
(774)	(625)	Continuing Establishment	6,440,000	4,660,000
(9)	(10)	Casuals and Others	60,000	40,000
(783)	(635)	Salaries and Wages (including $400,000 allotted during 1966–67 from the Finance Contingencies Vote for increases in rates of pay) (1)	6,500,000	4,700,000
		Living Allowances (2)	18,000	30,600
		Professional and Special Services (4)	1,139,000	730,800
		Travelling and Removal Expenses (5)	580,000	425,000
		Freight, Express and Cartage (6)	32,000	10,000
		Postage (7)	8,500	6,400
		Telephones and Telegrams (8)	86,100	96,600
		Publication of Departmental Reports and Other Material (9)	248,600	149,500
		Exhibits, Displays, Advertising, Visual Aids (10)	638,500	412,000
		Office Stationery, Supplies, Equipment and Furnishings (11)	384,100	178,000
		Materials and Supplies (12)	38,500	28,000
		Grants, scholarships, bursaries and awards, as approved by Treasury Board to promote industrial design (20)	143,000	121,000
		Grants to universities and regional development associations, as approved by Treasury Board, to promote area development (20)	12,000	30,000
		Research grants and contributions to universities, technical societies, trade associations and other organizations to finance technical conferences and seminars and technical publications, as approved by Treasury Board (20)	51,000	20,000
		Grant to Canadian Standards Association (20)	.....	30,000
		Grant to assist in establishing a national standards organization (20)	150,000	
		Grants to universities, as approved by Treasury Board, to assist in establishing and maintaining industrial research institutes (20)	90,000	
		Grants, as approved by Treasury Board, to promote improvements in the manufacture of rapeseed products (20)	180,000	
		Expenses of industrial missions, conferences and seminars, and sundries (22)	269,000	227,500
		Expenditure	**10,568,300**	**7,195,400**
		1964–65 $ 3,271,581		
		1965–66 4,958,151		
		1966–67 (estimated) 6,700,000		

Positions (man-years)		Details of Services	Amount	
1967–68	1966–67		1967–68	1966–67
			$	$
		Vote 5—To sustain technological capability in Canadian industry by supporting selected defence development programs, on terms and conditions approved by the Treasury Board, and to authorize, notwithstanding section 30 of the Financial Administration Act, total commitments of $60,000,000 for the foregoing purposes during the current and subsequent fiscal years (20)	**25,000,000**	**25,000,000**
		Expenditure 1964–65 $ 20,500,000 1965–66 25,000,000 1966–67 (estimated) 25,000,000		
		Vote 10—To advance the technological capability of Canadian manufacturing industry by supporting selected civil (non-defence) development projects on terms and conditions approved by the Treasury Board, and to authorize, notwithstanding section 30 of the Financial Administration Act, total commitments of $40,000,000 for the foregoing purposes during the current and subsequent fiscal years (20)	**13,000,000**	**8,770,000**
		Expenditure 1964–65 $..... 1965–66 428,218 1966–67 (estimated) 6,000,000		
		Vote 15—Capital subsidies for the construction of commercial and fishing vessels in accordance with regulations of the Governor in Council (20)	**30,000,000**	
		Expenditure 1964–65 $ 32,000,000 1965–66 40,512,684 1966–67 (estimated) 36,000,000		
		Vote 20—Payments, subject to the approval of the Treasury Board, for certain programs to assist defence manufacturers: **(a) with defence plant modernization, by paying one-half the cost of acquisition of new equipment; and** **(b) in the establishment of production capacity and qualified sources for production of component parts and materials** (20)	**12,000,000**	
		Statutory—Incentives for the development of industrial employment opportunities in designated areas in Canada (Chap. 12 Statutes of 1965 and Industry Vote 15e 1965-66) (20)	**29,000,000**	**10,000,000**

Positions (man-years)		Details of Services	Amount	
1967–68	1966–67		1967–68	1966–67
			$	$
		Statutory—Incentives (Continued)		
		Expenditure		
		1964–65 ..... $		
		1965–66 125,000		
		1966–67 (estimated) 1,900,000		
		Appropriation not required for 1967-68		
		To authorize, notwithstanding section 30 of the Financial Administration Act, an increase to $125,000,000 in the total amount of commitments in the current and subsequent fiscal years for development grants under the Area Development Incentives Act ..... (20)	.....	1
		Statutory—General incentives to industry for the expansion of scientific research and development in Canada ..... (20)	**27,200,000**	

No. of Vote	Service	1967–68	1966–67	Change	
				Increase	Decrease
		$	$	$	$
	INDUSTRY				
L60	Loans, in the current and subsequent fiscal years and in accordance with terms and conditions prescribed by the Governor in Council, to assist manufacturers of automotive products in Canada, including materials suppliers and tooling manufacturers, affected by the Canada-United States Agreement on Automotive Products to adjust and expand their production; such loans to be made for the purpose of acquisition, construction, installation, modernization, development, conversion or expansion of land, buildings, equipment, facilities or machinery and for working capital; and to authorize, notwithstanding section 30 of the Financial Administration Act, total commitments of $60,000,000 for the foregoing purposes during the current and subsequent fiscal years.....	30,000,000	15,000,000	15,000,000	
L65	Advances, subject to the approval of the Treasury Board, to assist defence manufacturers with defence plant modernization in amounts not to exceed one-half of the cost of the acquisition of new equipment, such advances to be recovered on sale of the equipment to the defence manufacturers.....	12,000,000	.....	12,000,000	
		42,000,000	15,000,000	27,000,000	

OFFICIAL REPORT OF MINUTES

OF

PROCEEDINGS AND EVIDENCE

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Translated by the General Bureau for Translation, Secretary of State.

LÉON-J. RAYMOND,
The Clerk of the House.

Government
Publications

HOUSE OF COMMONS

Second Session—Twenty-seventh Parliament

1967

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. PATRICK T. ASSELIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

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TUESDAY, JUNE 13, 1967

Respecting
Main Estimates (1967-68) of the Department of Industry

The Honourable C. M. Drury, Minister of Industry

and

WITNESSES:

From the Department of Industry: Mr. S. S. Reisman, Deputy Minister; Mr. W. J. Lavigne, Commissioner, Area Development Agency; Mr. B. G. Barrow, Assistant Deputy Minister (Operations) and Mr. J. L. Orr, Industrial Research Adviser.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

26918—1

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Patrick T. Asselin

Vice-Chairman: Mr. Leonard Hopkins

and

Mr. Andras,
Mr. Beaulieu,
Mr. Bower,
Mr. Cashin,
Mr. Davis,
Mr. Faulkner,
Mr. Forest,
Mr. Fulton,
Mr. Goyer,
Mr. Grafftey,
Mr. Hales,
Mr. Hymmen,
Mr. Latulippe,
Mr. Legault,
Mr. Lind,
Mr. McCutcheon,
Mr. Peters,
Mr. Reid,
Mr. Saltsman,
Mr. Scott (*Victoria (Ont.)*),
Mr. Sherman,
Mr. Wahn—24.

(Quorum 9)

Hugh R. Stewart,
Clerk of the Committee.

ORDER OF REFERENCE

HOUSE OF COMMONS, Tuesday, June 13, 1967.

Ordered,—That the quorum of the Standing Committee on Industry, Research and Energy Development be reduced from 13 to 9 members.

Attest

LEON-J. RAYMOND,
The Clerk of the House of Commons.

26918—1½

MINUTES OF PROCEEDINGS

TUESDAY, June 13, 1967.
(2)

The Standing Committee on Industry, Research and Energy Development met at 9.45 a.m. this day. The Chairman, Mr. Patrick T. Asselin presided.

Members present: Messrs. Andras, Asselin (*Richmond-Wolfe*), Bower, Davis, Forest, Goyer, Hymmen, Legault, Lind, McCutcheon, Peters, Reid and Mr. Scott (*Victoria (Ont.)*)—(13).

In attendance: *From the Department of Industry*: Honourable C. M. Drury, Minister; Mr. S. S. Reisman, Deputy Minister; Mr. W. J. Lavigne, Commissioner, Area Development Agency; Mr. B. G. Barrow, Assistant Deputy Minister (Operations) and Mr. J. L. Orr, Industrial Research Adviser.

Continuing under Item 1 of the Main Estimates of the Department of Industry, 1967-68, the Chairman introduced the Honourable C. M. Drury who was present for discussion concerning his opening remarks on Thursday, June 8, 1967, and to answer questions.

Several members questioned the Minister and departmental officials on various subjects related to the operations of the Department of Industry. Then the Chairman thanked Mr. Drury and the Committee was advised that the Minister could return when final discussions are held, under Item 1 of the Main Estimates.

It was agreed that Item 1 of the Main Estimates 1967-68 relating to the Department of Industry be stood over for further consideration until after the other items have been agreed to by the Committee.

The Committee adjourned at 11.05 a.m., until Thursday, June 15, 1967 at 9.30 a.m.

Hugh R. Stewart,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

Tuesday, June 13, 1967.

The Chairman: I would like to start right away by welcoming back the Minister of Industry. I apologize for our late start and I would like to recommend to Members of the Committee that, in future, we try to start on time and thus avoid having to keep the Minister or witnesses waiting.

As you all know, the Minister made a full statement last week. Today, on Item 1, we will proceed with questions from the Committee to the Minister, if there are any. I will try to restrict the time to approximately 10 to 15 minutes per Member to allow everybody to have an opportunity to question the Minister. After this period, I will put the names of Members down at the bottom of the list, if they have not finished. I will start with Mr. Reid.

DEPARTMENT OF INDUSTRY

1. Departmental Administration, including grants as detailed in the Estimates, 10,568,300.

Mr. Reid: Mr. Minister, perhaps this is outside the statement you made the other day, but over the week-end there were a series of notices concerning the Area Development Program and new areas which were designated. The newspaper reports indicated that there was some revision in the criteria used. I wonder if you could explain to the Committee just what these new criteria are, how they differ from the previous criteria and what effect this is going to have on the nature of the program.

Hon. C. M. Drury (Minister of Industry): Mr. Chairman, I think the Members of the Committee will recollect that during a series of meetings we had here and also in the House, it was indicated that representations had been made that not enough emphasis was placed on the situation of a community or an area which had unemployment in some degree, but whose basic problem was, rather, so-called "slow growth" or "economic stagnation", leading to a situation where there was a fair amount of out-migration, with the result that population was either stagnant, was maintained at a continuing level or was even declining, particularly a decline in the numbers of young people entering the labour force. This tends to result in non-economic growth, with the possibility that at some date in the future this would then become an area of high chronic unemployment and be designated at that time.

We were asked to look at the program to see whether it would be possible to shift the emphasis, to some degree, to pay more attention to this problem of slow economic growth. With this in mind, the criteria were recently altered. I do not have copies of these for the Members, but there is a question on the order paper now which will be answered and will place the criteria in *Hansard*. I will read the criteria and indicate where the changes were made. The criteria read as follows:

> A Canadian Manpower Centre area in which for the most recent five years the unemployment rate is at least 200 per cent of the national average;

This is unchanged.

> The unemployment rate is at least 150 per cent of the national average and the rate of employment growth is less than one-half of the national average rate.

This is a combination of 150 per cent unemployment and elss than one-half of the national average rate. This has now been changed to read:

> Less than two-thirds.

This means that areas which previously had 150 per cent of the national rate of unemployment but whose rate of growth was only one-half the national average will qualify by raising them to a rather faster rate of growth from one-half to two-thirds of the national average. This will have the result of bringing in some additional areas where the problem has been basically slow economic growth.

The next criterion is:

> A CMC area in which for the most recent five years there has been a decline of 10 per cent per year in the level of employment.

• (9.50 a.m.)

That meant there had to be a decline in the level of employment of 10 per cent per year

for five years or a 50 per cent decline in employment during the past five years. This has been changed to read:

> A CMC area in which for the most recent five years there has been a decline in the level of employment.

So, instead of limiting the qualification to an area where there has been a 50 per cent decline in employment, it is now any decline at all over the five-year period. This, again, opens up the possibilities of designation to areas or communities where there has been a slight decline in employment over the past five years but not of the rather severe or drastic order of 50 per cent.

Those, Mr. Chairman, were, I think, the significant changes. As a consequence of this, a number of additional areas were designated following advice to the provinces, one after the other, and the conclusions of the review were announced starting, I think, in late March, was it not?

Mr. W. J. Lavigne (Commissioner, Area Development Agency): It was in March.

Mr. Drury: The final announcement was made a couple of days ago. I suppose everyone is aware of the additions that have been made, so I will not list them. Does that answer your question?

Mr. Reid: Yes, it does. In the history of the program, what has been the proportion of new investment, say, in Ontario and Quebec, which has gone into designated areas? Of all the new investment flowing into, say, Ontario and Quebec, what would have been the proportion of this investment flowing into aeras which are designated?

Mr. Drury: I might ask Mr. Lavigne if he has those precise figures. I recollect some time ago noting that of the total investment in Canada since the beginning of the program up until the end of 1966, I think, about 15 per cent of the total investment in Canada went into designated areas. How this breaks down by provinces, I do not know.

Mr. Reid: Would it be possible to have those figures?

Mr. Drury: We have the figures for investment under this program, but I am not sure whether DBS has the figures for total investment in Canada by provinces. They should have.

Mr. Lavigne: That is right. I think before we give any undertaking as to what we can supply to the Committee, we had better look back at the original data. My impression is that you cannot get good figures on the breakdown of new investment by provinces. If we had those figures, I think we would still have some difficulty in getting the relationship to the designated area investment. However, we will have a look at this, sir, and whatever is available will be made available to the Committee.

Mr. Reid: That is fine.

My other question is, of the areas which have been designated to date, what would be the percentage or proportion which has received new industry or new investment?

Mr. Drury: Do you have those?

Mr. Lavigne: There were only ten, sir, out of a previous 81 which had not obtained any investment or development.

Mr. Drury: That is 71 out of 81.

Mr. Reid: Was the evolving of this new program done in consultation with the provinces?

Mr. Drury: It was.

Mr. Reid: It seems now that with the new criteria and the changes you have made, there is a change in emphasis, in that you are participating with the provinces, more or less, in a program of regional development, or attempting to stimulate economic growth in certain areas.

Mr. Drury: No; the change was made, as I indicated, to try to anticipate degeneration of an area or community into a condition of chronic unemployment. This continues to be a program based on unemployment—registered, unregistered or, to some degree, anticipated. The emphasis we made is to try to anticipate, but it is not a program of regional economic development as such, particularly within a province. This would become a joint program and would be conceived and administered quite differently.

Mr. Reid: Are there negotiations under way with any of the provinces for a joint federal-provincial program of regional development, say, along the lines that exist in the Maritimes under the Atlantic Development Board?

Mr. Drury: Apart from the Atlantic Development Board, there are none of which I have knowledge. There has been some consideration given by certain of the Prairie Provinces' governments to forming a regional

economic group which would function a bit like the Atlantic Provinces Economic Council to try to seek joint solutions to their economic problems. That is all the information I have.

Mr. Reid: That is all; I will pass.

The Chairman: Thank you, Mr. Reid. Is there anybody else who would like to ask questions?

Mr. McCutcheon: I have a supplementary question to Mr. Reid's question for the Minister. Are we still using the description of a designated area as being the boundaries formed by the area served by unemployment offices?

Mr. Drury: Manpower Service Centre areas.

Mr. McCutcheon: Has any thought been given to a further breakdown analysis or delineation? I am thinking of situations where one part of an area has a pretty good employment record and pretty good development, while another part of it, removed maybe 25 or 30 miles, has definitely slow growth. Has there been any thought of a change of looking after situations of this nature or is this not practical?

Mr. Drury: Of course, one of the problems throughout the program has been to try and find the ideal building block for constructing a program of this kind. The great virtue in what used to be the N.E.S. area, and which are now the Manpower Service Centre areas, was that statistics were available for these areas covering a five-year period and longer. There were no statistical breakdowns of areas smaller than these, or segments of them, except in particular cases. However, generally speaking there were none. The officials of the Area Development Agency since the inception of the program have been trying, without success so far, to find a better building block than the Manpower Service Centre area. The problem is partly statistical.

By definition the Manpower Service Centre area is now supposed to be a labour market. Over the years the size and shape of these N.E.S. areas has obviously become really quite different from a single labour market. The Department of Manpower is now in the process of reviewing the delineation of their service centre areas with a view to re-establishing a pattern which will be true labour markets for each area. This is quite a big job. How long will it take to complete?

Mr. Lavigne: It will probably take a couple of years. There are over 200 areas to be examined.

Mr. Drury: If in fact these are labour markets, then I think they will be the ideal instrument for the purposes of this unemployment program because you are concerned in this program with unemployment within a labour market. Within a labour market there should not be unemployment in one sector and overemployment in another. This does not answer the problems that I think some people have in mind; the problems of community development, municipal finance and all these other matters. That is not the purpose of this program. I suggest this is primarily a problem for the provincial rather than the federal government.

The Chairman: Are there any further questions, Mr. McCutcheon?

Mr. McCutcheon: I think the Minister is fully aware of the situation to which I am referring because the area that I have the honour of representing is one of the early designated areas and there has been some fantastic development in one segment of it. Referring to the section that was not covered by the Manpower Service Centre area, several communities felt pretty strongly that the area which was used should have been more a geographic area. I think the Minister is fully aware what I was asking about as he is quite familiar with the country down there. This is why I asked if there was a study being made because I am quite sure that many of the communities in the east side of my constituency are concerned about development.

I have nothing further to say, Mr. Chairman, except that at the start of this session you reminded me of the minister who lectured the people who attend church on time. It is those people who are not present who should have received the benefit of your remarks.

The Chairman: I was hoping, Mr. McCutcheon, that you would pass on my very nice remarks to those who did not attend.

Mr. Davis: Mr. Minister, the Economic Council has been emphasizing the need for improved productivity in Canada and certainly the Minister of Finance underlined this need in his last budget. I noticed from your remarks at the first meeting of this Committee that you were also underlining the need for productivity. As I recall the reports of the Economic Council of Canada, and particularly the last two, they have been advocating that

we should make our resources more mobile in this country. It seems to me that some of the paragraphs of that report have been aimed at what I might loosely refer to as the Area Development Agency of the Department of Industry, and suggesting that we not overdo this matter of resisting economic forces and keeping people rooted at certain locations but that we let them be more mobile.

We now have the Department of Manpower doing its best to search out new areas of opportunity in respect of employment and telling people where new job opportunities are situated and where the better paid job opportunities are located. In other words, this department is trying to pull them away from areas of slow growth, whereas the Department of Industry is increasingly devoting its energies to keeping people rooted to the spot.

As a representative of an area which has high growth and pays high wages, partly because of high costs, I suggest this program is aimed at keeping people away from the west coast of Canada. I wonder first, Mr. Minister, what the reception is among the governments of the provinces of western Canada to a program which certainly tends to favour—in rather remarkable ways—the maritime provinces and the slow growth areas of Ontario and Quebec?

Mr. Drury: I suppose the west begins at the Ontario/Manitoba border. The government of Manitoba encourages and approves this program. They are very much in favour of it. The same is true of the government of Saskatchewan. The Province of Alberta, which now has no designated areas to the south and a limited area in the north, has not exhibited much interest in the program one way or another. The government of British Columbia professes not to understand it and the Premier of that province, who represents the government, describes it as not a very satisfactory program, but not for the reasons that you have enunciated. I think he would like to see the program used for purposes of small community development and resource development rather than directed towards areas where there is high, chronic, measurable unemployment.

It is quite true that in a sense there appears to be a conflict between this type of program and the labour mobility program. The purpose of this program is directed to areas where, if for one reason or another—and there are a variety of reasons—people do not seem to be mobile and move out, then I think probably one should do what one can to try to produce job opportunities for them when, for one reason or another, they wish to stay. By using a combination of this and the Department of Manpower program a choice of alternatives is offered to the labour force, and I do not suggest that they are necessarily self-contradictory.

Mr. Davis: May I have your comments on another aspect of the program. Initially the criteria was one of employment and unemployment; in effect, the counting of heads. Then after a relatively short interval of time, a year or a year and a half, the concept of income per capital account was also introduced. As you well know, there are very different levels of income in different provinces and regions across the country and there are also different costs; the outlying parts of the country have some costs that are higher than the central manufacturing areas. Is there any possibility of our getting back to a straight employment—unemployment criteria?

• (10.10 a.m.)

Mr. Drury: As I tried to outline to the Committee the purpose of introducing the income concept was not to try to convert the program into one of raising income, but that this was the best instrument we could devise for measuring unregistered unemployment.

Mr. Davis: Under-employment, in a sense?

Mr. Drury: Either under-employment or unregistered unemployment. In the urban manpower centre areas where a man is relatively close to the administrative office and where there is a labour turnover and opportunities for employment, obviously it will be in his interest—and he will so conceive it—and it will be possible for him to register and continue taking an interest. In some of the Manpower Service areas the administrative centre is a long way removed—this applies more in the rural areas than it does in the urban areas—from the residence of the individual or the family. There has not been much in the way of labour turnover and employment opportunities, so they just do not bother registering.

Now, how does one measure the level or the extent of this? One way—it is an imperfect way, I grant you that, and perhaps an inaccurate way—is to assume that if in a non-farm family there is a very low level of family income there must be either unemployment or under-employment in this family, even though it is not registered. The purpose in introducing this income criterion was to try and measure to some degree, particularly in

the rural areas, unregistered unemployment or under-employment.

Mr. Davis: I have one or two questions on the automotive program and the shipbuilding program, but presumably those subjects will come up with individual votes or at some other stage.

The Chairman: Mr. Davis, you can ask any question of the Minister you want under Item 1 concerning policy. I wanted to mention to the Committee that I intend to thank the Minister at the end of this meeting, stand Item 1 and then go on to the other items under the estimates. Then towards the end, if we could make arrangements to have the Minister here again, to possibly finish Item 1 if we have reached that stage.

Mr. Davis: Those are my general questions.

The Chairman: I will proceed, Mr. Davis, and I will put you back on the list to ask questions later on if that is all right.

Mr. Lind: Mr. Minister, there is some concern in the furniture manufacturing areas in Southwestern Ontario over the Kennedy Round of tariff cuts. I am referring to the Wingham, Palmerston and Durham area of Ontario, the central part of Southwestern Ontario, where we have a heavy concentration of people engaged in woodworking, principally furniture manufacture. Could you enlighten us on their future? This area made application to become a designated area. What has taken place in this regard?

Mr. Drury: You say they made application. I read out the criteria and if that particular area meets the criteria it is designated; if not, it does not become designated. It has nothing to do with an application at all.

Mr. Lind: Well, I guess I should have used the word "representation" because they sent a delegation to this Committee last fall.

Mr. Drury: At the present time that particular Manpower Service Centre area does not meet the criteria and consequently it is not designated.

• (10.20 a.m.)

As far as the Kennedy Round is concerned, I think these people in the furniture industry, as well as others, will have to exercise patience until the end of the month, when the results of the negotiations at Geneva in respect of not only the furniture industry but all others wil be announced. The furniture industry has been occupying the attention of the Department of Industry for some time now. It has the characteristics of being a relatively high hourly wage industry, with fragmentation or a great number of small units catering to a very large degree to the domestic market only.

We have been having discussions with the industrial associations with a view to examining the possibilities of introducing into the industry co-operative efforts or approaches in respect of research and the introduction of new technology in the manufacture and improvement in design of domestically produced furniture with a view to being able to tap, on the basis of good design—I am referring not only to aesthetic but also engineering design—the export market.

As long as the Canadian furniture industry limits its vision to the domestic market and nothing else, it is not likely in the foreseeable future, when trade barriers are going to be progressively lower, to be in as healthy a condition as we think it should be. I suggest the key to this is more co-operative effort among a number of very small units to improve technology and design.

Mr. Hymmen: Mr. Chairman, I had a related question on design which I was going to ask before the Minister introduced it. I understand that there are some in the industry who favour modern design and are against, say, conventional or period design.

I personally feel that there would be just as much demand for conventional or period furniture, provided it is well constructed, as there is for strictly modern furniture. There are a number of furniture manufacturers in my area. I saw an article somewhere that the association had some views in this connection and I just wondered if the Minister had any comments on this?

Mr. Drury: I may say, in response to an earlier question, that in respect of the furniture industry, arrangements have recently been made with the governments of Ontario and Quebec to provide special vocational training courses for upgrading and producing greater skills in the furniture manufacturing industry. We feel this is a progressive step. I might ask Mr. Reisman, who is on the National Design Council, to comment further.

Mr. Simon Reisman (Deputy Minister, Department of Industry): This question of period and contemporary furniture design is a subject that has occupied the attention of the

Design Council during a large number of their sessions and I believe that a satisfactory conclusion has emerged from those discussions.

The council concluded that good design need not depend on whether the article, in this case furniture, is of a contemporary design or of a more traditional design. Indeed, the one Design Centre that we have in Toronto—a second one is about to be opened in Montreal—has in fact been displaying furniture designs of both a period and a contemporary character, and it is well recognized now by the Design Council, and hence by the juries and committees that select good design, that you can have good design even though it is made up of articles that have been manufactured in accordance with traditional tastes and traditional modes of manufacture.

So I think that the furniture associations are now reasonably satisfied with the position that has been reached in this regard.

The Chairman: Do you have a question, Mr. Lind?

Mr. Lind: Is the emphasis in manufacturing still on quality rather than on quantity? I know that in production runs, quality, on occasion, is decreased somewhat.

Mr. Drury: I suppose there are two types of market. One is the mass market where purchase tends to be based on price, and the other is the rather more limited market where the basis of purchase is style rather than price.

In the case of the mass market, obviously the emphasis should be on price rather than on style, although we would hope to see as much style as possible in both. However, the problem of balancing the economies of scale with the quality of production is something that faces every entrepreneur almost on a day to day basis. This is, in a sense, the name of the game, and to the extent that he is successful in achieving the right balance and keeping it he will be economically successful. If he is continuously wrong he probably will not survive long in the game.

The Chairman: Is that all, Mr. Lind?

Mr. Lind: Yes, thank you.

Mr. Legault: Mr. Chairman, I have a supplementary.

The Chairman: Mr. Legault, if you would permit, I think Mr. Peters has a question.

Mr. Legault: This is a supplementary.

The Chairman: All right.

Mr. Legault: I have a very short question. In promoting these things, could not a bit of incentive be given to the primary use of our Canadian products?

Most of the woods used today in the furniture industry are imported. I am thinking of teak, mahogany, walnut and so on. Could not some device be developed to encourage the use of Canadian woods such as elm, oak, maple and white birch to offset the trend that has been set? Could we not develop our own Canadian products and our own style? Could an incentive not be given to promote our own products?

Mr. Drury: Of course the design council is interested in promoting and is engaged in the acceptability and, consequently, use of Canadian manufactured products. There are a number of Canadian materials, in the furniture business particularly, which are treated specially to resemble imported products, particularly in the case of wood. Through a variety of printing and staining techniques, you can take poplar and make it into almost anything you want, and this is done. However, I do not know the extent to which there is a deliberate campaign to promote, say, Canadian birch or birdseye maple, in the way the Vermonters have. Mr. Barrow will speak on that.

Mr. B. G. Barrow (Assistant Deputy Minister, Operations, Department of Industry): Sir, there is an increasing amount of birch being used, as you know, particularly in the colonial type of furniture. It is used as birch, the birch finish is retained, and this has become a very popular item. In addition, as Mr. Drury has mentioned, of course birch and some of the other hardwoods are stained to resemble the exotic woods that come from tropical countries. Someone mentioned the maple a moment ago, and one of our problems is that we do not have large stands of native maple left. Unfortunately we have to import maple and some of the walnut that we need for flooring and furniture. Of course, the furniture manufacturers are looking for new stands and new sources wherever they can find them and the problem seems to be, in the case of maple, to find the existing native stands.

Mr. Legault: In recent years cull lumber has been developed commercially. Knotty pine is used extensively now and gives a beautiful appearance. However, at one time it was treated as scrap. I know of one company which has developed a finish for white birch,

which I think is very acceptable, but the general public seems to have a mentality for just buying something that is imported. I think there should be some incentive given to use our own particular types of wood. We should promote the use of our own woods and finishes.

Mr. Drury: I think you would agree that the promotion, can most effectively be done by the manufacturers themselves. One of the things to which we are directing our attention, in our discussions with these associations, is to encourage them, as an industry, to promote the same line.

Mr. Legault: This is exactly the point, Mr. Minister. I suggest that more incentive be given to the promotion of our own production.

Mr. Drury: Well, if it is one worthwhile considering, we will.

Mr. Legault: Thank you, Mr. Drury.

Mr. Peters: The Minister mentioned the Kennedy Round of negotiations and, coming from a non-manufacturing area, I am wondering whether or not prices of imported cars are going to come down. I want to buy a new Volvo and I do not know whether or not it is going to cost me less money.

Mr. Drury: The Volvo is manufactured in Canada.

Mr. Peters: I was thinking of the parts. I notice the price is up about $500.

Mr. Drury: They import the parts free, too.

An hon. Member: Are those automobiles?

Mr. Peters: They are very good cars. Mr. Chairman, coming from one of those areas that has received designation now, we are very pleased that this has taken place, and I presume it behooves those that represent that area to make it a success. We will certainly work toward that end.

It seems to me that the committee and the Minister should keep in mind the situation that has developed in Nova Scotia. To an outsider, at any rate, it appears to have had considerable success and for the first time it has offered those people a chance for a future of their own built in their own area, rather than their moving out.

• (10.30 a.m.)

As I see it, the difficulty with the Area Development Program and the Manpower Mobility Program is that they are working at cross purposes. There is no doubt some advantage in mobility and the retraining for that Mobility Program, but at the same time this will tend to create other problems so far as the government is concerned which, in the long run, will be as great as the problems we correct.

Therefore, I would like to say that we are very happy in Northern Ontario to have most of the area designated and we are pleased by the fact that it was done on a fairly broad scale, because fortunately our Unemployment Insurance Offices are in a very large area. It takes away the problem Mr. Lind talked of in the Committee where an area designated close by seemed to be a liability rather than an asset for the associated areas. We are quite pleased that this development has taken place and we hope we can take some advantage of it.

I represent most of the gold mining areas and I would have been pleased if the Minister had sat down with the Department of Mines and had used some of the money now being paid for emergency gold mine assistance for the development of this program instead. Obviously it did not produce what was intended in the beginning and we hope that this program will do what that program was intended to achieve but failed to do 15 years ago.

Mr. Drury: I think you will appreciate that the success or failure of this program will depend on the initiative and energy of the local community. If they do nothing, nothing will happen. If they organize themselves to take advantage of these incentives, the results will be beneficial.

In Nova Scotia there are a number of very active institutions looking towards the introduction and development of secondary manufacturing industries in that area. It is because of this that the results, I think, have been very satisfactory indeed. But where the local representatives do not display initiative and energy, not very much happens.

Mr. Peters: Obviously the province plays some role in this and in Ontario we have changed without much outward sign. We have changed from the development associations, all of which were fitted originally into a federal plan. It was a federal plan which broke the country into about 90 districts for economic development many years ago. I forget who developed the plan, but Ontario has used this to a limited extent in developing its associations which were municipal and provincial

corporation groups but which have now been changed to councils actually subsidized by the province under the control of the Department of Economics in Ontario. What is the relationship between the Department of Industry and that section of the Department of Economics in Ontario which is handling this? I am interested not only in my own area, but in the relationship in southeastern Ontario and other areas. Obviously there is a difference in cooperation in a given area.

Mr. Drury: Well, the Department of Industry has a continuing working relationship with the Department of Economics in Queen's Park. As you point out, the development associations or development councils in Ontario are instruments partly representing local initiative and partly representing Ontario government policy. The Department of Industry has no direct relationship with these councils or area development associations, although we do get representations from them. I would hesitate to try to enunciate the policy of the government of Ontario in respect of regional development within the province.

Mr. Peters: Is there a good possibility that it will be increased? I understand it is a fairly loose-working arrangement in Ontario, but I gather that the same type of relationship is not used in the Maritimes. The Atlantic advisory body, this body of businessmen and others who got together—

Mr. Drury: The Atlantic provinces have an economic council.

Mr. Peters: Yes, and this is a very strong and active body. The relationship between it and the Department of Industry must be different than it is between the Department and the fairly loose organizations in Ontario. Would you agree with this?

Mr. Drury: No, the Department of Industry has a close liaison with the Atlantic Development Board, but not with the Atlantic Provinces Economic Council.

Mr. Reisman: We know them and we attend their meetings, but there is not this formal relationship.

Mr. Drury: That is right.

Mr. Peters: It seems to me that one of the problems we will have in my particular area is that the E. B. Eddy Company is going to have to make some decision before very long about a pulp mill. This is not only their decision or a provincial decision, but really it is an international decision in terms of pulp and paper markets. The Ontario government is pushing the E. B. Eddy Company to build a pulp mill while statements are being made that there is a surplus of pulp. Therefore, it becomes an international complication. I am wondering whether there can be a closer relationship, or is there an intention of developing a closer relationship?

Perhaps I could use a better example. Obviously the Renault company would deal with the Canadian government first if they were thinking of putting a plant in Canada. Then there becomes a relationship between the Canadian government and that company. There has to be a location and if Quebec were decided on then obviously Quebec must get involved in it and decide where in Quebec would be the most suitable place. I am wondering if this kind of formal arrangement is being extended?

Mr. Drury: Do you mean, is the federal government trying to decide the location of the new E. B. Eddy Company plant? The answer is "no".

Mr. Peters: No, no; I agree they cannot do this. Perhaps that was a bad example, because it has to go to a specific area, owing to the availability of the basic product. We are interested not only in pulp but in other things. As a member of Parliament, I am not in a position to know whether Germany wants to put a plant in Canada or not. You cannot make a bid for it, because you do not know whether they have any interest, but the Department of Industry should know this and there must be some arrangement where they give advice concerning the feasibility of location and that sort of thing.

Mr. Drury: On the feasibility of location, the federal government can offer an investor in manufacturing in Canada a number of aids —if I can put it this way—to the best of my knowledge all of which are unrelated to geographical location except the incentive, the capital grant in respect of the area development agency program.

The only bias exerted by the federal government in respect of location is towards setting up in a designated area, wherever it may be in Canada, from the east coast to the west coast. That is the extent of the federal government's influence in respect of geographical location.

Each provincial administration also has further assorted programs of assistance and incentives to attract manufacturing industries to its province. These programs and the incentive vary from province to province.

Some provincial governments, perhaps, try to indicate an area within their province where they prefer this to be set up in preference to another; some do not. I would hesitate to try to delineate to you the policies and activities of each of the provincial governments in this respect.

Mr. Peters: Could I ask a general question? Do you have a branch or department that actively looks for new international industry? I am thinking of the type of industry that Japan obviously has gone after where they have RCA Victor, Marconi and, in fact, almost all the radio manufacturers building in their country rather than in the United States. Do we have a department that looks for this type of operation, not branch office operation but even more primary development?

Mr. Drury: There is no specific branch engaged in this operation, but both the Department of Industry and the Trade Commissioner Service of the Department of Trade and Commerce are continuously engaged in promotional activities of this kind to try to interest investors in setting up manufacturing plants in Canada. Judging by the volume of industrial investment in this country over the past few years, I would say this has been very successful.

The Chairman: Thank you very much, Mr. Peters.

Before I ask Mr. Goyer to proceed, I would like to mention that we have simultaneous translation into French and if Mr. Goyer is going to ask questions in French, I suggest that all members who are not bilingual use their earphones.

Mr. Goyer, you may proceed.

● (10.34 a.m.)

(Translation)

Mr. Goyer: Mr. Minister, in your statement you spoke of the necessary specialization of our industry and last year when we asked questions of the Director of the National Research Council in connection with research in Canada, whether it tended to become more specialized, he gave us a very vague answer. But without giving any examples...

Mr. Drury: Yes, it is very clear.

Mr. Goyer: Yes, but you must admit, Mr. Minister, that this is very vague. But we have realized, especially during the last few weeks, that some important scientists or researchers thought that Canada was carrying on its research program in a rather haphazard way and was trying to compete with the United States in all fields. We are not as strong as the United States and we must necessarily specialize.

With regard to these remarks, once again, the Director of the National Research Council was very vague and he did not give us any striking examples to the effect that research in Canada did specialize and did not tend to overlap. I am looking forward to hearing the Director of the National Research Council, because this year we must go further afield in the field of research to see whether we are specializing because when you say that your Department tends to specialize in industry, I think this is futile if our research is not specialized beforehand. In this field has a lot been done by your Department? I understand that yours is not the only Department responsible for research but has anything been done to cause our research to become specialized and to apply what you mention on page 11 of the French report, that is:

"Encourage research in co-operation with other fields, that is with industry, with universities and special programs undertaken by the Government".

Mr. Drury: This is a very vast subject, but I will have to be vague also.

Mr. Goyer: You are stating general principles, Mr. Minister.

● (10.48 a.m.)

Mr. Drury: In the field of specialized research we have just called a meeting of the Scientific Council of Canada whose purpose is first to determine priorities in research, that is the ways of specializing in research in Canada; and the Scientific Council has not yet given its report. It has not had time to do so but we are waiting for it, so that we may find out in what fields Canada has the best opportunity of carrying on specialized research projects and when this report has been received and the recommendations of the Scientific Council have been given, we will be more specific than we have been hitherto.

There are a great number of projects in the Department of Industry which deal especially with specialized projects, and I have with me here Mr. Orr who is the Scientific Adviser of

the Department, and he could for example describe some of the programs for you. In order to encourage universities to relate their industrial research to industry itself, we have established in two universities industrial research institutes: the University of Windsor is one of them, and the Technological Institute in Halifax is the other.

There is a program called "PAIT". This program is being carried on for the advancement of industrial research, the objective of which is to specialize in manufacturing industry in Canada.

If Mr. Orr has understood what I have just said, has he anything to add?

(English)

Mr. J. L. Orr (Industrial Research Adviser, Department of Industry): Industrial Research Institutes.

First of all, if I may comment, Mr. Chairman, PAIT is designed to assist industries to undertake research or development projects which they themselves select as being profitable areas for specialization; so I would say that our program is essentially responsive to the needs of industry. In other words, we rely upon industry to select those areas which are best suited for specialization and then we are able to assist them financially to undertake such projects.

Naturally, in appraising such projects we look at those which offer the best prospects for increased productivity, for economic return, for export potential, and so on, in determining where we will place our support; so that there is an element of selectivity which is exercised in response to projects identified by industry.

Mr. Goyer: Before speaking of the specific role of universities in the field of technology, has your Department direct authority over the work carried on at the National Research Council?

Mr. Drury: No, the Research Council is a Crown Corporation which is under the jurisdiction of the Privy Council Committee of Scientific Research, and therefore, it is just a coincidence that the same Minister is president of the Committee of Privy Council of Scientific Research and the Minister of Industry at the same time. There is a definite co-operation between the National Research Council and the Department of Industry.

Mr. Goyer: I know that your department advertises that there will be more mobility in specialized research, that is, between universities and industry. But do you not think that a minister responsible for the National Research Council should have more to say in the general policy and the tendency towards specialization and research without interfering directly in the administration and employment of the National Research Council, but in the definite orientation of projects in the National Research Council?

Mr. Drury: Before being in a position to give wise and definite directives to the National Research Council I think we should await the recommendations of the Scientific Council of Canada. Once we have these, at that time, there will be no problem, in my opinion, in defining clearly the policy of the National Research Council.

Mr. Goyer: Are you expecting this report in the rather near future?

Mr. Drury: In the near future, yes.

Mr. Goyer: Is this a question of months or weeks.

Mr. Drury: Not weeks, no.

The Chairman: Have you any other questions, Mr. Goyer?

(Translation)

Mr. Goyer: Yes. On page 13 of your statement in the French version, you mentioned incentives in Section 72A of the Act. In the past, what has been the cost to the Canadian Government of this incentive mentioned in Section 72A? What is the amount of money which has been disbursed?

That is from 1962 to 1966.

● (10.55 a.m.)

(English)

Mr. S. S. Reisman (Deputy Minister, Department of Industry): May I make a comment, Mr. Chairman?

The Chairman: Yes, Mr. Reisman.

Mr. Reisman: The Income Tax Act, section 72 (a), provided incentives for the expansion of research and development activities of Canadian industry. This program, as you know, sir, has now been replaced by a program administered by the Department of Industry known as IRDIA. It will be much easier under the present program to give you

precise answers on the amounts of money disbursed under this incentive program.

In respect of the Income Tax Act incentive one can make estimates of the tax savings enjoyed by Canadian companies in taking advantage of it. Our estimate is that in the last full year, which is the year 1966, the incentive was worth between $20 million and $25 million, and we believe that the first full year of the IRDIA incentive will also be of that order of magnitude, or perhaps a little higher —probably more like $30 million; and it is likely to grow over the next number of years.

(*Translation*)

Mr. Goyer: Would this mean that it will be easier to know in future how much Canada is spending directly in the field of research?

Mr. Drury: Yes.

Mr. Goyer: This was rather hard to define in the past.

Mr. Drury: Yes.

Mr. Goyer: When the judicial committee . . . , I am sorry, this is directly related to the question of research, and that is why it is difficult to speak of general policy on research in Canada because it depends on so many independent agencies and departments, and finally we do not know what department to call on.

However, we have questioned the managers of automobile industries and we note that there was practically nothing being done in research in the automobile industry, but they very candidly mentioned that they used Canadian roads because they were good and they did not pay taxes to the province of Ontario for the use of these roads. The directors of industries told us that they were in favour of the establishment of research centres in Canada.

Did the directors of industries say that they were going to do something definite? Has the Government asked the automobile industry to do something concrete with regard to the possibility?

Mr. Drury: We are trying to encourage them but the results have not been too good. We are exerting as much pressure and giving as much encouragement as possible.

Mr. Goyer: Would the Committee on Industry be more useful if it sat in Windsor?

Mr. Drury: I might say, that in industry and not in the car manufacture itself, but in spare parts manufacture a start in research has been made in Canada, in spark plugs, for instance.

The Chairman: Mr. Goyer, may I point out that we must leave this room before 11 o'clock and I am sorry to have to interrupt you but Mr. McCutcheon has just one question to ask.

Therefore I will have to ask you if you could keep your questions for the next meeting. I had suggested a while ago that the next meeting of this Committee would take place in this room, Thursday morning at 9.30. The Minister will not be here, but we will have senior officials and we will go on with the next item, and towards the end of the meeting I hope that the estimates will be finished and I think that the Minister will be able to come back for another meeting and would be agreeable to my permitting Mr. McCutcheon to ask the one question?

(*English*)

The Chairman: Mr. McCutcheon, do you have one further question before we adjourn?

Mr. McCutcheon: Thank you very much. I will be very brief. On page 240 there is mention of a

> Grant to assist in establishing a national standards organization.

Just briefly, what is this? What are we doing here?

Mr. Drury: At the present time, Mr. Chairman, there is in Canada a body known as the Canadian Standards Association to which the government makes a relatively small grant to assist them in recovering their administrative expenses. It is largely financed, however, by private industry. The Canadian Standards Association does not cover the whole spectrum of manufacturing, but has concentrated largely in a relatively few industries, particularly the electrical appliance industry. For the purpose of enlarging the scope of its activities and making it more effective there have been discussions with the Canadian Standards Association extending over a period of more than a year now, designed to produce a larger framework with greater government support and with, I hope, greater effectiveness over a wider range of standards than is now the case.

Mr. McCutcheon: Will there be any duplication with the new department of consumer affairs that we are in the process of setting up?

Mr. Drury: I suggest that there will be no duplication. This new department, however, will have an interest in the work of the standards body. Quite obviously a standards body must represent, within itself, the consumer, the distributor, the manufacturer and those governmental bodies responsible for considerations of health, safety, non-fraud and so forth. If, as suggested, the new department is going to represent consumer interests then it obviously will have a considerable interest in the work of the standards body.

Mr. McCutcheon: Thank you, Mr. Drury, and thank you, Mr. Chairman. I apologize for asking two questions.

The Chairman: Not at all, Mr. McCutcheon; and thank you. I would also like to thank the Minister.

It is understood that this meeting is being adjourned until Thursday morning at 9.30, when we will proceed with the next item in the estimates of the Department of Industry. Item one will be adjourned.

Mr. McCutcheon: Mr. Chairman, may I ask if the Minister will be back. I understand Mr. Davis wishes to ask about the automobile business—at least he inferred as much—and I, too, would like to get some answers on it.

The Chairman: Yes. Perhaps we could just stand item one now and proceed with the other items. Towards the end of the estimates we can return to item one and I will then negotiate with the Minister to find out when it would be convenient for him to appear.

Mr. McCutcheon: Negotiate?

Mr. Drury: "Subpoena" is his own word!

The Chairman: I did not want to use the word "subpoena".

Item 1 stood.

20

Government Publications

HOUSE OF COMMONS

Second Session—Twenty-seventh Parliament

1967

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. PATRICK T. ASSELIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

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TUESDAY, JUNE 20, 1967

RESPECTING

Main Estimates (1967-68) of the Department of Industry

WITNESSES:

From the Department of Industry: Mr. W. J. Lavigne, Commissioner, Area Development Agency; Mr. B. G. Barrow, Assistant Deputy Minister (Operations); Mr. D. B. Mundy, Assistant Deputy Minister (Operations) and Mr. J. L. Orr, Industrial Research Adviser.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

26920—1

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Patrick T. Asselin

Vice-Chairman: Mr. Leonard Hopkins

and

Mr. Beaulieu,
Mr. Bower,
[2]Mr. Caron,
[3]Mr. Chatwood,
Mr. Forest,
Mr. Fulton,
Mr. Goyer,
Mr. Grafftey,
Mr. Hales,
Mr. Latulippe,
Mr. Legault,
Mr. Lind,
Mr. McCutcheon,
[2]Mr. Noël,
[2]Mr. Ouellet
Mr. Peters,
Mr. Reid,
Mr. Saltsman,
Mr. Scott (*Victoria (Ont.)*),
Mr. Sherman,
[1]Mr. Tremblay (*Richelieu-Verchères*),
Mr. Wahn—24.

(Quorum 9)

Hugh R. Stewart,
Clerk of the Committee.

[1] Replaced Mr. Andras on June 14, 1967
[2] Replaced Messrs. Cashin, Davis and Faulkner on June 19, 1967
[3] Replaced Mr. Hymmen on June 20, 1967

ORDERS OF REFERENCE

HOUSE OF COMMONS,
WEDNESDAY, June 14, 1967.

Ordered,—That the name of Mr. Tremblay (*Richelieu-Verchères*) be substituted for that of Mr. Andras on the Standing Committee on Industry, Research and Energy Development.

MONDAY, June 19, 1967.

Ordered,—That the names of Messrs. Caron, Noël and Ouellet be substituted for those of Messrs. Faulkner, Davis and Cashin on the Standing Committee on Industry, Research and Energy Development.

TUESDAY, June 20, 1967.

Ordered,—That the name of Mr. Chatwood be substituted for that of Mr. Hymmen on the Standing Committee on Industry, Research and Energy Development.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House of Commons.

26920—1½

MINUTES OF PROCEEDINGS

THURSDAY, June 15, 1967.

The Standing Committee on Industry, Research and Energy Development having been duly called to meet at 9.30 a.m., the following members were present: Messrs. Hales, Hopkins and Mr. Peters (3).

In attendance: *From the Department of Industry*: Mr. B. G. Barrow, Mr. D. B. Mundy, Assistant Deputy Ministers (Operations) and Mr. W. J. Lavigne, Commissioner, Area Development Agency.

At 9.50 a.m., there being no quorum, the next meeting will be at the call of the Chair.

TUESDAY, June 20, 1967.
(3)

The Standing Committee on Industry, Research and Energy Development met at 9.45 a.m. this day, with the Chairman, Mr. Patrick T. Asselin, presiding.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Bower, Forest, Goyer, Hales, Hopkins, Hymmen, Latulippe, Legault, McCutcheon, Noël, Ouellet and Mr. Tremblay (*Richelieu-Verchères*) (13).

In attendance: *From the Department of Industry*: Mr. B. G. Barrow and Mr. D. B. Mundy, Assistant Deputy Ministers (Operations); Mr. W. J. Lavigne, Commissioner, Area Development Agency; and Mr. J. L. Orr, Industrial Research Adviser.

The Chairman called *Item 5 of the Main Estimates of the Department of Industry, 1967-68*:

Item 5 To sustain technological capability in Canadian industry by supporting selected defence development programs, etc., $25,000,000.

There were no questions concerning *Item 15,* which *was carried.*

The Chairman called *Item 10* of the Estimates:

Item 10 To advance the technological capability of Canadian manufacturing industry by supporting selected civil (non-defence) development projects, etc., $13,000,000.

Mr. Goyer questioned the departmental officials on subjects related to Item 10, followed by Mr. Latulippe and Mr. Hales. Messrs. Barrow, Mundy, Lavigne and Orr answered questions put by these members.

At 10.50 a.m., with the questioning under Item 10 continuing, the Committee adjourned to the call of the Chair.

Hugh R. Stewart,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

Tuesday, June 20, 1967.

The Chairman: Gentlemen, I see a quorum. Today we are on Item No. 5.

> 5. To sustain technological capability in Canadian industry by supporting selected defence development programs, on terms and conditions approved by the Treasury Board, and to authorize, notwithstanding section 30 of the Financial Administration Act, total commitments of $60,000,000 for the foregoing purposes during the current and subsequent fiscal years, $25,000,000.

We have with us the Assistant Deputy Ministers of Industry and other officials. If there are any questions that you would like to ask, I will recognize any member now.

• (9.45 a.m.)

(Translation)

The Chairman: Mr. Goyer.

Mr. Goyer: Regarding plans for the university research programs for the development of technology, do you know the names of universities participating in these programs and the amounts which these universities have spent on the programs?

(English)

The Chairman: Can you answer that? Yes, you may answer in English.

Mr. J. L. Orr (Industrial Research Adviser, Department of Industry): We have approved two such programs for the establishment of necessary research institutes one at the University of Windsor and the second one at the Nova Scotia Technical College. We are negotiating at present with two other universities, Laval University and the University of Waterloo.

(Translation)

Mr. Goyer: If I remember rightly, about six months ago I asked you the same question and at that time you replied that you were in the process of negotiating with Laval University. Is there a deadlock in the negotiations? Is any progress being made at present in this direction?

(English)

Mr. Orr: The negotiations are still in progress. The first project was approved last December.

(Translation):

Mr. Goyer: When do you anticipate final ratification of the project?

(English)

Mr. Orr: We are waiting now. It depends on the university.

(Translation)

Mr. Goyer: In what way does it depend on the universities?

The Chairman: Mr. Goyer, please let me remind you that we are studying Item No. 5 which has no connection at all with the questions you are asking. In my opinion, the questions you are asking are relevant to Item No. 10.

Mr. Goyer: Mr. Chairman, I ask nothing better than to be called to order, but no one mentioned that we were dealing with Item No. 5.

The Chairman: Then excuse me. In that case it is my mistake. Then, if you have no further questions to ask on Item No. 5 we shall go on to—

Is the item carried?

Item No. 5 agreed to.

(English)

The Chairman: All right, then. Item No. 5 is carried and we come to Item 10.

> 10 To advance the technological capability of Canadian manufacturing industry by supporting selected civil (non-defence) development projects, on terms and conditions approved by the Treasury Board, and to authorize, notwithstanding section 30 of the Financial Administration Act, total commitments of $40,000,000 for the foregoing purposes during the current and subsequent fiscal years, $13,000,000.

(Translation)

Mr. Goyer: Well, now that it is in order to do so, I shall repeat my question. Still,

I hope that what was said earlier remains on record.

The Chairman: Certainly.

(Translation)

Mr. Goyer: Then, I shall repeat my question. What precisely is the matter? What, in particular, is preventing the universities from ratifying this program offered by the government through your Department?

(English)

Mr. Orr: I do not believe there is any delay. I think it is just the time required to put forward a proposal.

(Translation)

Mr. Goyer: When were negotiations with Laval University begun?

(English)

Mr. Orr: There were some informal discussions about three months ago, I believe.

(Translation)

Mr. Goyer: But last time you came to give evidence, you spoke to us about negotiations being well advanced. What kind of negotiations were you referring to at that time?

(English)

Mr. Orr: I correct my previous statement. The negotiations and discussions became serious only about that time.

(Translation)

Mr. Goyer: When did this joint program with the universities come into existence?

(English)

Mr. Orr: In December of last year at the University of Windsor.

(Translation)

Mr. Goyer: And how long has the federal program as such been in existence?

(English)

Mr. Orr: Since December.

(Translation)

Mr. Goyer: Then this means that it began with the University of Windsor? Was it anticipated that much money would be spent on this program? How much money was originally expected to be spent?

(English)

Mr. Orr: In the first year, about a hundred thousand dollars. It is quite modest. It is an experiment.

(Translation)

Mr. Goyer: And how much money has actually been spent?

(English)

Mr. Orr: About half of the total sum.

(Translation)

Mr. Goyer: Is your Department proceeding with other negotiations at the present time, with universities other than those of Laval and Waterloo as you did already mention, I believe?

(English)

Mr. Orr: Not at the present time.

(Translation)

Mr. Goyer: And what amount do you estimate for this budget item?

(English)

Mr. Orr: There is $90,000 in the present budget.

• (9.50 a.m.)

(Translation)

Mr. Goyer: How is it that we cannot obtain more co-operation on the part of the universities? You seem to be throwing the blame exclusively on the universities. Do you know why the greatest research programs with the universities are not taken up? In my opinion, a research program in which the federal government is involved to the tune of about $100,000 or $90,000 strikes me as being almost bound to fail. Indeed, if it is only to amount to $90,000, it is better to apply the efforts elsewhere than in this specific program. Don't you also agree with that?

(English)

Mr. Orr: I explained earlier that this was an experiment and it is an attempt to introduce Canadian universities to the performance on contract research on behalf of Canadian industry. This is something in which universities have been reluctant to become engaged in the past; nevertheless, it does seem to be a useful way to cope with the problems of the smaller industries. In other words, there are very many small manufacturing industries in Canada whose business is

too small to support a research organization of their own.

Therefore it seemed logical to try to encourage the universities to come to their aid and make their skills and facilities available. There is, I believe, a pool of talent within the universities which could be used for this purpose. Also, of course, the universities do have substantial facilities for scientific research which have been paid for out of public funds and are not used throughout the year. This seemed to be a reasonable arrangement.

I might add also that one of the significant developments in the structure of research in the United States in the post-war years has been the emergence of large research institutions associated with the universities. I am thinking of the Massachusetts Institute of Technology, Stanford Research Institute, and the California Institute of Technology.

We felt, therefore, as an experiment and to serve the requirements which I mentioned earlier, that perhaps we should try to encourage the evolution of a similar type of institution in Canada. I do not believe it is going slowly. I think it is progressing about as rapidly as it can and should progress. It is still an experiment.

(*Translation*)

Mr. Goyer: Do you work directly or indirectly with small industries to carry out this program?

(*English*)

Mr. Orr: No. We have been conscious of the needs of the small industry but we have, of course, been working with the universities which provide the instrument.

(*Translation*)

Mr. Goyer: Are there several research programs ready to be handed over to the universities?

(*English*)

Mr. Orr: No. We expect that the specific projects will be proposed by the industries themselves and we are able to support such projects through our other programs, namely PAIT.

(*Translation*)

Mr. Goyer: Precisely. How do you explain the process? If you are not in direct contact with the industries for them to be able to explain their problems to you, and so on in cases where research is necessary, how can you explain that the government, through your Department, does not know exactly what research projects are to be undertaken? It then becomes a vicious circle. If you are not in contact with the industries, there is no means of knowing what is going on, and if you do not know at the outset what researches you need to undertake, then you cannot make any progress. Universities will not carry out research in a vacuum.

• (9.55 a.m.)

(*English*)

Mr. Orr: The success of these institutes will depend upon their ability to attract contracts from industry. It will be industry which determines what they want to have done and we feel it will be up to the university to respond to that need.

(*Translation*)

Mr. Goyer: Yes, but do you not think we are really trying too hard to copy what is being done in the United States? In the United States, the universities are already very highly organized, structurally speaking. The universities can meet representatives of small industries, talk over their problems, and undertake research projects to help them. But do you not think that in Canada the universities are neither sufficiently prepared nor adequately organized, and that they lack sufficient personnel to be able to go and discuss problems with small industries and take the time to draw up a research project and then carry it out? Do you not think that the government is, to a certain extent, washing its hands of the matter when it says: "Here. Money is being made available to you, so try to do something." This attitude seems to be characteristic in all fields of research in Canada.

(*English*)

The Chairman: Mr. Orr, if you will permit me to interrupt, I believe your neighbour would like to answer.

(*Translation*)

Mr. W. J. Lavigne (Commissioner, Area Development Agency): May I give the answer, Mr. Chairman?

The Chairman: Yes, by all means.

Mr. Lavigne: To start with, there are two points which should be emphasized. First, it should not be said that we are not in contact with industry because branches throughout the Department are in contact with industry. To my way of thinking the fault lies in the

fact that Universities, in Canada, are not recognized as industrial research centres. The Department is attempting to create a particular climate in industry and to encourage the universities to make the necessary preparations for undertaking the research.

Therefore, Mr. Orr is trying to explain that a small sum of money has been made available to certain universities to initiate a research program and to inform industry that possibilities do exist in those universities for carrying out research. The branches of the Department will then be able to inform industry in general of the possibilities available at the universities of either Laval, Waterloo, or Windsor. It is a program which is actually being tried out at the present time.

The Chairman: Thank you, Mr. Lavigne.

Mr. Goyer: Do you not think it is rather a waste of energy at the outset to embark upon such research programs and attempts which may in themselves be of value? The National Research Council performs a more or less identical function. We shall have an opportunity to discuss the National Research Council on another occasion—I understand that it does not come directly under the jurisdiction of your Department—but *a priori* would it not be correct to say that the National Research Council is going to be split up and that, instead, our research is going to be conducted on a large scale in our universities and not by starting with a $90,000 program? Do you think you are going to be able to raise much interest in the universities and in small industry which is very difficult to seek out and contact? The task then becomes more onerous by granting $90,000 to the universities under the heading of research.

(English)

Mr. Orr: First, I should say that $90,000 does not represent the cost of the research which will be performed by these institutes. This is merely the administrative cost of setting up a group within the university which will concentrate on interesting industry in utilizing the universities' resources. I agree with you. I think it is a very modest sum and I hope in future years, if the initial results are promising, that this sum will grow, and grow at a rate the demand dictates.

(Translation)

Mr. Legault: May I ask a supplementary question?

The Chairman: Mr. Legault wishes to ask a supplementary question.

Mr. Legault: If I understand correctly, the research is to be paid for by the industry requesting it, and the amount of $90,000 is established simply to cover the cost of operation and administration?

(English)

Mr. Orr: That is right.

(Translation)

Mr. Goyer: Can you inform me of what exactly is the Departments' purpose in carrying out this experiment? What is its main purpose, not the purpose which might be of interest to us outside of research in Canada but rather that of research as carried out in the United States to see what we in Canada can do ourselves to compare. What is the purpose being directly pursued by your Department in Canada as opposed to research as a whole? Is it to diversify our research? Is it to make a serious effort at developing research laboratories in the universities and so decentralize the research which is carried out mainly in the National Research Council or is it simply to multiply still further research projects which, to my mind, already cover too wide a range?

(English)

Mr. Orr: It is designed, first and foremost, to serve the needs of the small industries.

It is designed to increase the total amount of effort available for the performance of industrial research, and this is the limiting factor on expansion of research in Canada. It is designed to bring together the university and industry.

There have been criticisms in the past that on the one hand the universities are too academic, that they do not pay attention to the problems of industry, and that on the other hand, industry is not familiar or concerned with new developments in science. In our estimation, the best way to bring the two together is to have them working on common problems. These are our objectives.

(Translation)

Mr. Goyer: Up to the present time, where was this research carried out, even if it was not entirely satisfactory? Where was it carried out?

(English)

Mr. Orr: In the universities. Well, it probably would not get done at all.

(Translation)

Mr: Goyer: Did the National Research Council not grant certain facilities to industry?

(English)

Mr. Orr: The National Research Council can and does make a contribution to industry, but it by no means serves the total needs of industry. And in particular, it concerns itself with the more scientific type of programs. Perhaps the National Research Council should answer this question themselves. Basically, these are specific problems of particular industries.

The Chairman: Mr. Orr, Mr. Barrow would like to answer Mr. Goyer.

Mr. B. G. Barrow (Assistant Deputy Minister, (Operations) Department of Industry): Mr. Orr, I will just supplement your comments.

There are really two programs in the Department of Industry to assist Canadian industry in research and development. In fact, there are more than two, but one program is the PAIT, which is the program for the Advancement of Industrial Technology. In that program when a firm wants to do some development work—let us say they want to produce a better product or a better process —that firm can come to the Department of Industry and ask for financial assistance in the form of a loan. Those firms are usually large enough that they have a number of research people on their own staff, and they are large enough that they can hire facilities from a research organization.

In addition to that group of firms there are many firms which are really too small to have even three or four research people on their staff. To give you a specific example, in the Windsor area, there are many, many small automotive parts makers who need to do product development work—process development work—and yet they may have only 20 or 25 people on their entire staff. They are too small to hire two or three researchers and the thought here is that there is probably a need on the part of 30, 40 or 50 firms in the Windsor area to have research done, and yet each one is too small to do it on its own. Therefore, the concept is that by working with the University of Windsor, which does have scientific and engineering people on its staff, and by giving them a small grant to start with, these little firms are encouraged to go to the university, which is very handy to them. They can get in their cars and go 10 or 15 miles to talk about their development or research problems with the university staff. In this way we are bringing research to the doorstep of the small firms who need to develop a better product, if they are going to be competitive with the big industries in both Canada and the United States against which they have to compete. I hope this is helpful to you.

(Translation)

Mr. Goyer: I understand quite well the direct goals sought after by the Department with this research program but it brings up a serious problem. In point of fact, scientists today—and you read the papers as well as I—are repeatedly stating that there are too many research programs in Canada, that the situation is chaotic, that they no longer know where they are going, that money is being spent left and right without guidelines to follow, that people are not sufficiently well informed on what is happening elsewhere and that our research is not specialized. Now another research program is being introduced which is to have an operational budget of $100,000. If you have one specific goal in mind, to be able to combine all research under one single system, organize it better, and make it more flexible and decentralized, good! But if you are not following a specific goal, it is another instance of wasted energy and, eventually, we shall waste even more money in Canada in the field of research.

(English)

Mr. Orr: The point is that there are two serious shortcomings in the Canadian research picture. One is that less than 40 per cent of our total effort is in industry. Now I make the assumption—and I think this is accepted—that the reason the public supports expenditures for scientific research is in the expectation of either economic or a social return eventually. The mechanism whereby your scientific research, if you like, is eventually translated into an economic or a social benefit is through industry. In other words, you produce a product, a service or a process. This means that you must have a proper balance between your basic research effort, your applied research effort and your development.

At the present time the situation in Canada is that we are very seriously deficient in our developmental effort in the extent of our effort in industry. We are not, in fact, putting sufficient effort into the developmental side of

the picture to realize the benefits of our basic and applied research. This is reflected in the fact that according to the 1965 data, which is the most recent we have available, we are still spending, I believe, of the order of less than 40 per cent for development, and this is not adequate by any standard.

By the same token, in industry, our total expenditure—and I am talking now about the performance of work, and it is always in industry where the exploitation must take place. I believe our spending in 1965 amounted to only about 45 per cent in industry. This contrasts with 60 to 70 per cent in industry in other industrialized nations. Therefore, what we are trying to do in the Department of Industry—and we are not concerned with the totality of the National Research effort, that being the concern of other departments—is to correct the imbalance on the industrial side of the picture.

The Chairman: I believe Mr. Mundy would like to make a few comments on that, and then I will have a few comments to make.

Mr. D. B. Mundy (Assistant Deputy Minister (Operations) Department of Industry): Thank you, Mr. Chairman. I think one of the questions which is of concern here is the question of specialization, as a matter of policy, with respect to the direction of our effort in Canada in research and development. Specialization is a general objective of all our programs of assistance to Canadian industry. What we do is to try and concentrate on the fields of technology which are most appropriate to the Canadian environment. In fact, we try to choose projects which fulfil several criteria, one of which is that they are suited to the industrial capability in Canada. As you are well aware, the field of technology is so broad that we obviously cannot cover the full spectrum. Therefore, as one of the criteria, we have to choose an area which has some suitability to the industrial capability of Canadian industry.

Another criteria we use generally in trying to encourage research and development is that there are good prospects for sale abroad. Obviously, if you have a policy of specialization, because of the rather small requirements of the domestic market in Canada, in order to get the real benefit from this, you have to have access to world markets to make the policy of specialization pay off. So we do, in fact, try to choose programs which seem to lend themselves generally to the possibility of sales abroad.

Another criteria, in the case of our military assistance program, which covers about five items in the Estimates, is that we try to choose a program which, even though it may be directed to a military development, has some commercial spin-off, as we call it. In other words, the technology is an area which seems to lend itself, at some time in the future when the state of the art requirements of the commercial world catch up with the military, to the general commercial research and development structure of Canadian industry.

Another criteria that we use in this policy of specialization is to try to choose projects which are suited to the physical environment of Canada. I think an obvious example which we can give is communications, which is related to the fact that Canada being such a vast country with such a limited population has always had a special problem in developing communications which can handle this particular aspect of our environment. Therefore, communication is, in fact, an area which, if you look through our various development assistance programs, has been hit pretty hard and we think this is going to pay off on that account.

Another area is short takeoff and landing aircraft and this is related to our bush pilot experience and the limited size of our aerodromes in the North. De Havilland is an example of a company which we have supported through our development assistance program, because they have developed a range of short takeoff and landing aircraft which are suited both to the military requirement and to the commercial requirement.

Another point that we follow with respect to the policy of specialization is to seek to exploit in industry anything coming out of government in-house research. I think this is a very important point, because our in-house research in Canada is fairly extensive, bearing in mind the size of our resources. This includes the National Research Council, the Defence Research Board and so forth. Here we have had a number of examples of picking up the research which has taken place within a government facility and exploiting it in industry. I think a typical example is the tumbling air foil concept which came out of research at the National Research Council. The Canadian Patents and Development Limited gave an exclusive licence to Leigh Instruments Ltd., a small firm in Carleton Place, for the exploitation of this research. In fact, this company has since received development vote assistance from us to develop

models which do work of the concept in relation to their product which is a crash position indicator. They have been rather successful to date. They have received a number of contracts, mainly in the military field so far, but they are also coming into the commercial area as well for crash position indicators. These contracts include quite a large portfolio of foreign contracts mainly in the military sphere.

I would therefore like to assure you that this policy of specialization is in fact generally being carried out. As members are obviously very much aware, it is desirable that we do try to channel this effort in a concentrated area where it is really going to pay off and this definitely is one of our objectives.

• (10:15 a.m.)

(Translation)

Mr. Goyer: To conclude, I should like to ask one single brief question, Mr. Chairman. Have you been able to set up a specific time limit for obtaining a little more control over the direction of our research in the field of specialization, thus re-establishing the equilibrium between pure and industrial research? Is it a very long-term, long-term, or comparatively short-term plan?

(English)

Mr. Orr: I think this will take several years to accomplish, clearly; one does not make such large changes overnight, but certainly we are attempting now to recognize and to identify our problems and we are working toward correcting this imbalance. It is the responsibility of the Department of Industry in particular to concern itself with applied research development, and the involvement of industry in the total effort.

(Translation)

Mr. Goyer: Mr. Chairman: I should like to ask one last question.

How many patents does Canada export compared with the number imported?

(English)

Mr. Orr: I am sorry, but I cannot answer that question directly. Clearly we import a great deal more technology—if I may use that term—than we export.

(Translation)

Mr. Goyer: Is it possible to obtain figures in this field?

(English)

Mr. Orr: Well, I think there are imbalances. I was going to hazard a guess, but perhaps I should not do so. We do not have Canadian figures available on this subject.

(Translation)

The Chairman: If you do not mind my interrupting you, Mr. Goyer, you have been asking questions for 25 minutes already and there are two or three other persons who have also asked to do so.

Mr. Goyer: As I said, this is my last question. I simply want to establish clearly that there are countries, and several countries, which do have those figures at their disposal. Is it possible for Canada to obtain them or is it considered preferable not to make the effort for fear of the results?

(English)

Mr. Orr: Perhaps I could answer your question in another way. I will say that only 5 per cent of patents issued in Canada are issued to Canadian residents, which will give you an indication of the levels.

Mr. Mundy: Mr. Chairman, as a supplemental answer to that I think it is true to say that the balance between the number of patents which are arising out of unique Canadian and foreign research and development certainly is moving in our favour. I would think fairly rapidly, too.

The Chairman: Thank you, Mr. Mundy.

(Translation)

The Chairman: I would simply like to raise the matter, without referring directly to our friend, Mr. Goyer. At the opening of the last meeting, we mentioned that the procedure established was intended to limit the period of time allotted to each member to 10 or 12 minutes. I allowed you to continue, Mr. Goyer, because last time you did not have long enough to finish asking your question. Secondly, as regards Item No. 10, in view of the kind of question you are asking, you could probably direct it to the Minister when he is here, during our study of Item No. 10. I had not properly understood Item No. 10. I would like to remind the Committee that we are studying Item No. 10.

(English)

...page 238 of the blue book, and I would request that members restrict their questions to this item if possible. I have on my list Mr.

Latulippe and Mr. Hales, who have requested permission to ask questions.

(*Translation*)

The Chairman: Mr. Latulippe, would you care to ask your questions?

• (10:20 a.m.)

Mr. Latulippe: Mr. Chairman, we are talking about research and, on this subject, does the Government mean to intensify the research? Up to the present, I know that not much has been done for research because not enough energy has been put into it and because not enough capital has been spent on research. In my opinion, if there is one place in which we ought to spend money and energy and do some work, it is here in the field of research. If we compare the research which we have done or which we are doing in Canada with that of other countries, we are far behind. Now, I would like to know whether the National Research Council or the universities intend to undertake a vast research campaign to help small industries somewhat. Major industries are in a more privileged position than the small industries. But great things grow from small beginnings. I know several small industries which are experiencing many difficulties and which obtain no co-operation and no aid from the government from the research point of view. Small industries pay taxes just as the large ones do.

Small industries have difficulty in surviving and when they wish to develop something, they are obliged to expend fabulous sums and extraordinary energies to successfully attain their goal. For example, I wonder whether, in the field of research, it would be possible for you to find men with the desired training and whether you could, on the request of small industries, send your technicians into the small industries to study their problems.

From that aspect, I believe you could be of considerable assistance to small industries. Thus, technicians could help small industries on the administrative side, for example, where serious weaknesses exist. It is very difficult for many small industries to enjoy efficient administration, since it is such a complicated task today. But we have men capable from the administrative point of view of helping them to conduct their organization better through their good advice and the knowledge which we have today.

To my mind, the universities or research institutes could render great service to small industries from this aspect. If it is not possible, or if you do not have sufficient personnel to send men to the aid of small industries, you could perhaps receive representatives of small industries, citizens, its employees. The industry could send its employees to university to receive counselling. In my opinion, we would be entering a field which would aid both the small- and medium-sized industries, for the medium-sized industries cannot benefit from your research nor from the advantages which the governments make available to large industries.

The Chairman: Mr. Latulippe, allow me to interrupt you. The question which you are now asking is something similar to that asked by Mr. Goyer. We have had several replies to that question. Perhaps you will allow me to interrupt you and ask Mr. Orr to give you two or three examples of the kind of research which the Department is carrying out at the moment. It might perhaps provide a satisfactory reply to your question. Will you allow me to do so, Mr. Latulippe?

(*English*)

Mr. Orr: Mr. Chairman, I think the first thing I would say is that we have about four definite activities or programs which are all aimed at satisfying the questions which have been raised by Mr. Latulippe.

The first and most general program which we have is the new Industrial Research and Development Incentives Act which makes grants available to all firms, large and small, for the performance of research. The details will be familiar to members of this Committee, since this Committee considered that bill earlier this year. It provides essentially for a 25 per cent grant, a grant equivalent to 25 per cent of all expenditures for equipment, plus 25 per cent of the expansion or growth in current expenditure over a base period. In its first full year of operation, we expect this program will provide close to $30 million worth of support for research by all industries and it is available as a grant. Therefore, small industries can benefit to the same extent as larger industries.

The second program we have is what we call PAIT, Program for the Advancement of Industrial Technology. Here we are providing risk capital. We are sharing with the firm the risks of developing new products or new processes, on a 50-50 basis. It is if you like, a form of insurance. We now have, I think, over 80 projects in this program, and the total developmental effort which this represents is in excess of $30 million. I would say that well over half, I think

close to two-thirds of the support has gone to small firms. These are the people who have the problem you mentioned of finding the risk capital to invest in new innovation. I would also say that the majority of firms which have taken advantage of this program have been Canadian and I might add further that several firms have been formed specifically for the purpose of exploiting new projects with the support of this program.

In response to Mr. Goyer's questions, we have already mentioned the industrial research institutes at universities, which are also designed to serve the needs of small industry.

The final point which I would mention is something which has been encouraged by the Department of Industry, but which is being undertaken by the Science Secretariat, and that is the study of the dissemination of scientific and technical information to industry at large. Of course, this is a very important factor in order to avoid unnecessary duplication of effort and also to make sure that Canadian industry is aware of all the latest developments in that particular field. We expect this report will be received within the next year and when it is received, I expect it will make recommendations for a substantial improvement in our means of disseminating technical information to firms in a form in which they can use it.

The Chairman: Thank you, Mr. Orr.

(Translation)

Chairman: Does that answer your question, Mr. Latulippe?

Mr. Latulippe: I should still like to ask a few questions. I should like to ask the Research Institute if research is also being carried out in the field of housing, because as far as housing is concerned there is certainly need of research. From all kinds of viewpoints housing is not perfect; for example, from the point of view of heating, and if much research was done in that field, I believe that it would be a saving enabling the construction of buildings or inexpensive residences.

(English)

Mr. Barrow: I would like to answer that, sir, if I may. We do have another program which we call the BEAM program which is intended to help the construction industry to increase its productivity and to develop new and better products. Under that program, if a firm wishes to do research, let us say into a better heating system or a better air conditioning system, it can apply for a PAIT grant or a loan and in that way the Department of Industry will share the risk capital required for such a project. We are developing this program at the present time and working very closely with the construction industry. We have formed a number of committees consisting of people from the construction industry who are working with our departmental officials in the development of useful research and development programs to help them to be more efficient and moneys will be available, either under the IRDIA, which Mr. Orr has mentioned, or under the PAIT program, to assist them in their projects.

Mr. Hales: Mr. Chairman, I should like to make two observations before I proceed with my questions.

First, we do not have a quorum and secondly, if we hope to have a quorum at this Committee we must not allow one member to take three quarters of a hour at a time to ask questions. I think we are here to ask questions and to get answers and not to repeat over and over again matters already discussed. We are simply wasting our time this way. We are busy people and I think we have to get down to the business of the Estimates and ask straightforward questions. We are here to talk about money and what it was spent for. This is the purpose of this meeting. We have to go over the programs that we have which have been outlined to us by the Minister. We went over this in our introduction and we have gone over it all again. However, I do not wish to be critical. It is just an observation.

The Chairman: It is well taken, Mr. Hales.

Mr. Hales: The point was made by my honourable friend about overlapping. I am very much concerned about this. I have a feeling that the Department of Industry is overlapping right, left and centre. We spoke about the construction industry. I think the Forest Products have a lab that does a great deal of research. However, I must ask questions. I must not criticize if I am not asking questions.

The Chairman: You may make observations.

Mr. Hales: We have the National Research Council. The Department of Agriculture has a research branch; every department has a research branch, and I want to know what the

Department of Industry is doing in the field of research when it is already being done. Let us get down to some concrete examples. We have talked in highfalutin terms about technology and research and productivity. I want to get down to the layman's language. Last year under PAIT at Vote 10 we spent $8,770,000. What industries did we help? What product did they produce? How many applications did you have under PAIT? How many did you process? How many did you reject? How many fell through the boards? How was the money spent? Where did the money go? Let us have some concrete examples. I want to know the products that have been developed. I want to know if they were put on the market. Have they been exported? Have they meant dollars and cents to Canada? Those are my questions.

The Chairman: Mr. Barrow, would you like to answer these questions?

Mr. Hales: I want to know the name of the company, the product being developed and where it went.

Mr. Orr: Mr. Chairman, in the last fiscal year I believe we had approximately 60 approved projects. Although our Estimates provided $8 millions, in point of fact, this was not realized. The actual expenditure was closer to about $5 million. This, of course, was inherent in the business of getting things launched, shortages of manpower and facilities, and other factors which I mentioned before.

I should explain that in supporting these projects, of course, we have to respect the proprietary interest of the applicant and therefore, we are not permitted to reveal details of a specific project or the nature of the project, simply because this is the only basis on which the program can operate. In other words, if the details of the project were made public, then the position of the sponsor of the firm would be prejudiced.

Mr. Hales: Well, then you may call the firm D, Y or Z. I do not care what you call it but tell me company D made product F and they exported it, and so on.

Mr. Orr: Mr. Chairman, I think I can give some examples from firms that have agreed to permit their projects to be publicized and perhaps this would serve the purpose.

I would mention one which has recently been a success, a firm in British Columbia which is concerned with the manufacture of laminated wood beams and laminated wood structures. This was a project which was supported under PAIT and which has now proved successful and has, in fact, greatly speeded up the laminating process which is one of the limiting factors in the output of the industry. This one has been successful and we are now looking forward to receiving pay back against the money which was advanced from the program.

Mr. Hales: May I make an interjection? Was the research for this done through the Forestry Branch?

Mr. Orr: No. It was the B.C. Research Council who were assisting in this project. It is a provincial organization. They did part of the research. This is perfectly reasonable. We do not mind who does the research. What we are supporting is the entrepreneur, the man who ultimately is going to exploit the project commercially. If he himself does not have the facilities, then he is quite free to subcontract to a university, to a provincial research council or elsewhere, as seems best.

Another project I might mention which Mr. Mundy mentioned earlier, is Leigh Instruments Manufacturers of the crash position indicator. Under PAIT we have supported the development of a flight recorder for the purpose of recording essential data on the operation of the aircraft which can be recovered in the event of a crash and enable the cause of the crash to be determined. This project is now under way and if it is successful we expect that this particular product will be in wide usage in commercial aircraft.

Mr. Hales: Will the research for this be done by the National Research Council and by the Department of National Defence?

Mr. Orr: The original concept was developed at the National Research Council but the specific application to particular aircraft is something that has to be done by the manufacturer himself. In other words, he has to adapt it to the needs of a particular customer and he also has to adapt it to his particular manufacturing process and capability.

I should like to clarify one point here; that there is a difference between conducting research on a general problem and applying it to a specific case. I think the general research is perhaps something that is appropriate to a government or university laboratory but the specific application is something that in the majority of cases, must, be done I think, by industry.

Another example I would mention is the water bomber. There was a need for a new aircraft to combat forest fires. I think the water bombing technique is something which has been tried experimentally and which is being used in some parts of the world but so far it has been limited by the fact that aircraft which have been available for this purpose have been obsolete aircraft designed for other purposes.

• (10:40 a.m.)

Canadair have undertaken to develop an aircraft specifically for the purpose of bombing forest fires with water. This clearly is a problem of very great importance to the preservation of our natural resources in Canada. This project is now in an advanced stage. I believe the aircraft will have its first flight later this year.

I could go on, Mr. Chairman, but perhaps that will suffice.

Mr. Hales: This would be mostly in the field of defence or—

Mr. Orr: No, sir, not at all. Perhaps I should say one other thing. The Department of Industry itself does not perform research. We are merely assisting industry to undertake the research. We do not maintain laboratories. We are providing financial assistance to help firms undertake those projects which they wish to undertake in their own interests.

Mr. Hales: And of this $8,700,000, you have used $5 million?

Mr. Orr: That is correct.

Mr. Hales: It was spent mostly as risk capital?

Mr. Orr: It was providing risk capital. In every case the project was undertaken by the firm and it had a commercial objective.

Mr. Hales: How many firms did you process that dit not succeed? Where a grant was made and they went bankrupt or failed?

Mr. Orr: The program has been actively in operation only since November 1965. I would say the average term of development for the types of projects which we are supporting runs anywhere from one to three years duration. It is too early to quote any statistics of successes or failures.

Mr. Hales: None have failed?

Mr. Orr: I would hesitate to say that none had failed but it is too early to say whether they are going to be commercially successful.

Mr. Hales: If they are able to make a success, they have to pay the money back.

Mr. Orr: That is correct.

Mr. Hales: I think the Minister said that when a project meets with commercial success, the company is required to repay.

Mr. Orr: That is right. The firms are given up to ten years in which to repay and the repayment is based on the commercial utilization of the product or the process.

Mr. Hales: Who determines the meaning of the words "commercial success"? What is a "commercial success"?

Mr. Orr: Well, I guess if it sells it is a commercial success. The idea is that the repayment must be built into the selling price of the product. This is the way the firm recovers its investment in development and we expect them to recover the government's investment at the same time as they recover their own.

Mr. Hales: I know you do not do research, but it would seem to me that if the National Research Council develops a product that has great potential we do not need a Department of Industry to go out into the country to get some firm to process it. Any firm that is on its toes will pick up that patent and go into business and be tickled to death to get the opportunity and will make a great success of it. That would be an observation.

Mr. Barrow: I wonder, sir, if I could answer that question.

As you know the National Research Council has a subsidiary, Canadian Patents and Development Limited. When the Council does develop some new item it is up to Patents and Development to contact Canadian industry to try to find somebody who will manufacture the product in Canada. We do not attempt to duplicate that effort at all. Simply because we have a lot of contacts with industry, what we have attempted to do is to help Patents and Development to find a Canadian manufacturer who would be interested in manufacturing and developing that project.

Basically, our task is to encourage Canadian industry and to help them to do

development work in Canada. I think the feeling is that industry in Canada has lagged behind industry in other countries in developing new products and we think the future success of Canadian industry is in getting them to do more of the development work because, if they are going to put their money into the development of a product, they are going to try to develop something that will sell on the market-place.

Mr. Hales: I have one more question.

Mr. Orr: I think I should explain that there is a vast difference between the basic discovery of a scientific principle, for example, a transistor or a laser, and its application to a commercial purpose. There is a tremendous difference between them. Of course, I do not believe by any stretch of the imagination the National Research Council could pretend to be producing products for the whole spectrum of industry. This is not their function.

Mr. Hales: Then the most outstanding example which you have in this field would be the laminated beam, which you mentioned, or have you one that would mean a lot more to Canada than that?

Mr. Orr: I do not think I can answer that question, Mr. Chairman. I only selected one or two examples at random which were cases where we had permission from the firms to reveal details.

Mr. Barrow: Mr. Chairman, with your permission may I interject. We are caught in a dilemma here, sir, in that the companies that we have worked with are fearful that their competition in many cases will acquire knowledge—

Mr. Hales: I do not want you to divulge their names.

Mr. Barrow: No, but sometimes if we talk about a product there may be only two or three companies in Canada that have knowledge in this field or are working in the field and they very quickly become aware that one of their competitors is developing a new product. What I might suggest to Mr. Orr is this. Could we indicate to Mr. Hales the industry areas in which we have received what appear to be very good PAIT applications. For instance, in the textiles field, I know we have received several applications which seem to have a great deal of good commercial promise. Could you indicate to Mr. Hales the industry areas in which we are working.

Mr. Hales: Mr. Chairman, I do not want to get involved with names. I would like you to tell the Committee, if you can, whether you have an example where company X who manufactures a product Y, netted a sale of $15 million last year because of our efforts. That is all I want.

Mr. Orr: It is a little early. I know this is not a satisfactory answer but I mentioned earlier that the first projects were commenced in November 1965, and that the nature of the projects is such that the average time required to complete the development work is two years. Therefore, I believe, Mr. Chairman, that it is rather early to be able to cite such examples.

Mr. Hales: Mr. Orr, I think in a period of almost three years of operation of PAIT you or your department should be able to come up with an outstanding example of X dollars of sales for this company.

Mr. Orr: I am sorry, it is not three years.

Mr. Hales: Well, it will be three years in November since it was started.

Mr. Orr: A year and a half.

Mr. Hales: 1965?

Mr. Orr: November 1965, to November 1966 to June 1967—that is 18 months.

Mr. Hales: By November 1968, it will be three years.

Mr. Orr: This is June, 1967.

Mr. Hales: November this year will be three years.

Mr. Orr: No, two.

Mr. Hales: Yes, that is right. Centennial year.

The Chairman: In November 1968, it will be three years.

Mr. Hales: If you cannot provide the Committee with many examples, I would like to have assurance that the Department of Industry is co-operating or has some liaison with all the departments that are doing research in the federal government, and that there is no overlapping and that you clear with the new Science Secretariat, Dr. Weir, on all these products.

Mr. Orr: I can assure you of this because both the National Research Council and the Defence Research Board are full members of our committee and the Science Secretariat attend our meetings so that we feel that we are fully co-ordinated with the other agencies of government who could contribute something to the program.

Mr. Hales: Mr. Chairman, is there someone here who could answer for agriculture? Did you do a project on blueberries in Nova Scotia?

Mr. Barrow: We have done a project, but not under the PAIT. We were asked by the government—

Mr. Hales: It would not be under this Vote?

Mr. Barrow: No. It is not under this Vote.

Mr. Hales: What Vote would that be under?

Mr. Barrow: It would be under Vote 1.

The Chairman: I believe it would come under Item 1, Mr. Hales.

Mr. Hales: We might revert to that.

The Chairman: Item 1 has stood and we are going through the other items. But when we come back to it—

Mr. Hales: I am out of order then.

The Chairman: Oh, you are never out of order, Mr. Hales.

Are there any other questions from the members of the Committee?

As Mr. Hales has pointed out, we do not have a quorum; therefore, the next meeting will be at the call of the Chair. Thank you very much, gentlemen.

OFFICIAL REPORT OF MINUTES

OF

PROCEEDINGS AND EVIDENCE

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Translated by the General Bureau for Translation, Secretary of State.

LÉON-J. RAYMOND,
The Clerk of the House.

Government
Publications

91

HOUSE OF COMMONS

Second Session—Twenty-seventh Parliament

1967

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. PATRICK T. ASSELIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

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THURSDAY, JUNE 22, 1967

Respecting

Main Estimates (1967-1968) of the Department of Industry

WITNESSES:

From the Department of Industry: Mr. B. G. Barrow and Mr. D. B. Mundy, Assistant Deputy Ministers (Operations); Mr. G. E. Hughes-Adams, Chief, Ship Division, Shipbuilding and Heavy Equipment Branch and Mr. C. D. Arthur, Secretary, Adjustment Assistance Board.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

27065—1

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Patrick T. Asselin

Vice-Chairman: Mr. Leonard Hopkins

and

Mr. Beaulieu,
Mr. Bower,
Mr. Caron,
Mr. Chatwood,
Mr. Forest,
Mr. Fulton,
Mr. Goyer,
Mr. Grafftey,
Mr. Hales,
Mr. Latulippe,
Mr. Legault,
Mr. Lind,
Mr. McCutcheon,
Mr. Noël,
Mr. Ouellet,
Mr. Peters,
Mr. Reid,
Mr. Saltsman,
Mr. Scott (*Victoria (Ont.)*),
Mr. Sherman,
Mr. Tremblay (*Richelieu-Verchères*),
Mr. Wahn—24.

(Quorum 9)

Hugh R. Stewart,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, June 22, 1967.
(4)

The Standing Committee on Industry, Research and Energy Development met at 9.40 a.m. this day. The Chairman, Mr. Patrick T. Asselin, presided.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Bower, Caron, Goyer, Hales, Latulippe, Lind, McCutcheon, Noël, Peters, Saltsman and Mr. Tremblay (*Richelieu-Verchères*)—(12).

In attendance: From the Department of Industry: Mr. B. G. Barrow and Mr. D. B. Mundy, Assistant Deputy Ministers (Operations); Mr. G. E. Hughes-Adams, Chief, Ship Division, Shipbuilding and Heavy Equipment Branch and Mr. C. D. Arthur, Secretary, Adjustment Assistance Board.

Continuing the discussion under *Item 10 of the Main Estimates of the Department of Industry 1967-68,* the departmental officials were questioned by Messrs. Hales, Peters, Bower and Saltsman.

Item 10 was carried.

The Chairman called *Item 15* of the Estimates:

Item 15 Capital subsidies for the construction of commercial and fishing vessels, etc., $30,000,000.

Mr. Saltsman asked questions under this item, which were answered by Mr. Mundy. *Item 15 was carried.*

The Chairman called *Item 20* of the Estimates:

Item 20 Payments, subject to the approval of the Treasury Board, for certain programs to assist defence manufacturers, etc., $12,000,000.

Following a series of questions concerning assistance provided to manufacturers, by Messrs. Hales and Saltsman,

Item 20 of the Estimates was carried.

The Chairman called *Item L60* of the Estimates:

Item L60 Loans, in the current and subsequent fiscal years and in accordance with terms and conditions prescribed by the Governor in Council, to assist manufacturers of automotive products in Canada, etc., $30,000,000.

Messrs. McCutcheon, Peters, Saltsman, Hales and Lind asked a variety of questions under this Item, with particular reference to loans, to manufacturers, the banking functions of the Department of Industry and the operations of the Adjustment Assistance Board. The Chairman agreed to discuss with the Minister the possibility of providing certain information requested by Messrs. Peters and Hales.

Item L60 was carried.

27065—1½

The Chairman called *Item L65* of the Estimates:

Item L65 Advances, subject to the approval of the Treasury Board, to assist defence manufacturers, etc., $12,000,000.

Item L65 was carried.

The Chairman noted that all of the Items of the Main Estimates were carried, except Item 1 which was stood over for further consideration until the Minister returns before the Committee. It is planned to invite the Minister to appear at the next meeting, for final discussion under Item 1. The Chair will recognize Messrs. Latulippe and Tremblay (*Richelieu-Verchères*) as the first questioners under Item 1 at the next meeting.

The Committee adjourned at 11.05 a.m. to the call of the Chair.

Hugh R. Stewart,
Clerk of the Committee.

EVIDENCE

(Recorded by electronic apparatus)

Thursday, June 22, 1967.

The Chairman: Gentlemen, I see a quorum. Last Tuesday we carried Item 5 and we were discussing Item 10. I presume that Item 10 has been well discussed and if there are no more questions on that Item, we could now proceed to Item 15. Does Item 10 carry?

Mr. Hales: Mr. Chairman, at the close of that meeting I was about to ask one of the officials from the Department about research work in the field of agriculture. I would like to know if they have a project in Nova Scotia with respect to cultivated blueberries and, if so, have they a report on it. Also, why is the Department of Industry overlapping the Department of Agriculture in such a projet?

Mr. B. G. Barrow (Assistant Deputy Minister, Department of Industry): Mr. Chairman, with your permission, I would like to advise Mr. Hales that this does not come under Vote 10, but I would be pleased to answer the question.

You are quite right, a report has been prepared, not on the growing of blueberries or berries but on the processing of a number of berries including blueberries. The Department of Industry with other federal departments and the provincial departments in the provinces of Prince Edward Island, Nova Scotia and New Brunswick, conducted a number of studies jointly on the feasibility of establishing a berry processing industry. This concerned the packaging of berries, the freezing of berries, the chilling of berries and so on. This study was instituted at the request of the provincial governments, who felt that there were possibilities. They did not have the resources to examine the cost feasibility of processing berries. They wanted to compare costs in the Maritime Provinces with costs in other parts of Canada, the New England States and so on. They therefore sought the assistance of the Department of Industry and various other federal departments. As a result of this request, one of our expert people, a Mr. Banting who was with the Department of Industry until recently but who has returned to industry, was asked to chair a joint study group. Under Mr. Banting's direction a feasibility study was conducted and reports were prepared which have been now made available to the provincial governments who are using them, hoping to attract processing industry to the provinces. I have copies of these reports, if you care to have them. There was no overlapping with other departments, and this was not primarily to encourage the growth of the berries. Our interest really was to encourage the processing and to conduct the feasibility study into the secondary operation.

Mr. Hales: My point is that I cannot understand why the Department of Industry is using the taxpayers' dollar to monkey around with an agricultural product when it is purely and simply hte responsbiility of the Department of Agriculture.

Mr. Barrow: As I have mentioned, we are not concerned with the field of agriculture in the Department of Industry; we are only concerned if the processing or the manufacturing of a natural resource is concerned.

If I may give an example in another field, we are not concerned with the growing of trees or with anything to do in the forest itself. However, once a tree is cut, the sawing is done and you get into the processing, the conversion of the natural product into some sort of a more advanced state, then of course the Department of Industry, under our legislation—

Mr. Hales: Mr. Chairman, all these facilities are available in the Department of Agriculture. They have a Department of Horticulture where they experiment on freezing and packaging, and they do everything that the Department of Industry did in this connection. My humble opinion is that this is a pure and simple case of overlapping.

Mr. Barrow: I might say that we always are in contact with the Department of Agriculture or any other Department that we think may be concerned. We were in touch

with the Department of Agriculture and had their encouragement to go ahead on this study. They felt there was no overlapping and of course we felt this way too. If the Department of Agriculture were to have a program, even though it is in the processing or manufacturing field, we would not attempt to overlap or duplicate. If they are doing a good job in a particular field, even though we have jurisdiction, so to speak, a responsibility from Parliament, we would not attempt to overlap their program. In this particular case there was no program.

Mr. Hales: I will leave it in the hands of the Committee to form their own decision on it, but I would like to make it clear that the Department of Agriculture is fully equipped and has the ability, the manpower, the money allotted to it and everything else necessary to carry out the very project that the Department of Industry stepped into.

Mr. Peters: Before we leave that, is there not some arrangement being worked out in this particular field in connection with the Interlakes program of ARDA and the Department of Industry? Mr. Hales, I am not sure that the Department of Agriculture is equipped to do this. Its failure in doing this has been more evident than its success.

I would like to know what arrangement was made between the Department of Industry and the ARDA program as far as this apparent overlapping which takes place is concerned. I am thinking of the Interlakes program concerning a total survey of the potential both in the agricultural industry and in a number of other fields. Are you prepared to give some indication of what has been done under this program in the same allied field that you have been discussing.

Mr. Barrow: There is very close co-operation between the ARDA group and our own Department. This is to ensure that (a) there is no overlapping and (b) to ensure that the two Departments supplement each other. The ARDA group are primarily concerned with rural development. Our Department is more concerned with area and industrial development. In a sense, we have a broader term of reference than they have.

Mr. Kayes is with us and perhaps he is familiar with the arrangement between the ARDA group and your own ADA group in the Interlakes region. Unfortunately Mr. Lavigne had to be away today, as he would have the specific details. Do you know the details, Mr. Kayes?

Mr. S. B. Kayes (Chief, Incentives Administration Division, Department of Industry): I do not know the details.

Mr. Barrow: Could we have someone who is working in this group come up here?

Mr. Kayes: I could get Mr. Haase.

Mr. Barrow: Perhaps you could call him and then we could come back to this question later. We will call someone from the Department who has been working on this project.

The Chairman: If it is all right with the Committee, we could carry Item 10 because this subject does not come under that Item.

We will carry on and whenever this gentleman arrives, we will stop whatever Item we are on and carry on this discussion.

Mr. Bower: Mr. Chairman, does Item 10 cover the department's concept of aiding groups and areas to develop a plant to process—an agricultural product such as rapeseed. I am speaking for a colleague of mine who brought it up in the House the other day, and naturally on my own behalf, with regard to a group of farmers with a small amount of capital who are willing but do not know how to organize to develop a plant for processing oils. Does that fall under this Vote?

Mr. Barrow: We do not deal with the farmers on rapeseed. We take an interest as soon as some interest wishes to crush the rapeseeds. In other words, we have been attempting to help the crushers who are using rapeseed. We also have been encouraging secondary industry in Canada, the users of rapeseed, to make greater use of this product. There have been a number of technical difficulties in the past and there are still a few which face the users of rapeseed, but we are working with the National Research Council and other groups in an attempt to overcome these technical problems so there can be a greater use of this Canadian product.

If there are a group of farmers who are interested in establishing a crushing mill I would suggest that they get in touch with the Department of Agriculture and ourselves jointly because we both have an interest in this field. I believe the Department of Agriculture will deal directly with the farmers on their problems of growing rapeseed, but I take it they have no problem in this connection. However, if they wish to come to us, we would certainly take an interest in any prob-

lems they have in having their product crushed. If you would like to send them to our Food Products Branch, Mr. Mathieu, our Director, is fully familiar with the problems of crushing rapeseed, the problems of marketing, the technical problems and so on, and he would be pleased to see them.

Mr. Bower: I think part of the problem is just a matter of organizing. These people have no particular business experience and they want to know who to turn to get help in organizing themselves to do what I have explained.

Mr. Barrow: Sir, I think we could give them some help and advice in this connection. We would be very pleased to sit down with them and to give them any help we can.

The Chairman: On their behalf, you are requesting guidance to organize them into a group to carry on.

Mr. Barrow: Yes.

Mr. Hales: In relation to rapeseed cruching, the National Research Council, the Department of Agriculture, the Western Grain Board and head of the Research Secretariat are all working on this and they refer their findings to industry and say: "We have processed this to a point and it is now up to someone in industry." Then they say to someone in the business of manufacturing and crushing equipment: "There is a dollar to be made in this." Industry then takes over and goes into it. Is this not the way it develops?

Mr. Barrow: What has happened is that the local interests in the Western Provinces, I believe, have organized four crushing plants. They ran into a good number of technical problems initially. For instance, there was a high toxicity rate in rapeseed oils. There were certain problems with the meal, which is the by-product you get from the oil. Without being able to market the meal or by-product, it was not economical to produce and sell the oil itself.

About two years ago the crushers, backed by the farmers, came to the Department of Industry and asked us if we could give them some help in working with the National Research Council, and of course the Department of Agriculture, in overcoming some of the technical problems. They also asked us if we could help them establish themselves in the marketplace with the users of both the meal and the rapeseed oil. As a result of their request, we talked with the National Research Council people and discussed the technical problems to find out what could be done. We have not ourselves attempted to do any technical research because this is entirely in the hands of the crushers and the National Research Council. However, we had to be aware of the problems that still exist, if we were going to go out to the consumers of these products, the manufacturers of bakery products and animal meals and so on. Being aware of these problems, we organized a number of meetings in Western Canada with farmers, crushers, and users present, to discuss how the existing problems and inhibitions to the greater use of rapeseed oil and the meal can be overcome.

Mr. Hales: Have you succeeded in coming up with any answers? Also, you have requested $180,000 for this work, how do you propose to use this money?

Mr. Barrow: What we are doing in the first place is to organize meetings between the users and the manufacturers. We have already organized two or three of such meetings in Western Canada. The crushers feel that these meetings have been successful from their point of view. They feel that a great deal of information that is not at present in the hands of the users must be made available to them. They have asked us to assist them in this process of making more information available about rapeseed oil and also about the meal and we have been going ahead with that. In addition, on the remaining technical problems the crushers have asked whether we would be willing to make funds available to them. They are hoping to go to the research departments of universities in Western Canada and to ask the research people in the universities to attempt to overcome the technical problems that still remain. They asked us if we would help finance that sort of research and we indicated our willingness to do so.

Mr. Hales: I am very concerned about all this overlapping. The Western Grain Growers Association has done a great deal of work recently on this matter and I am continually concerned about the overlapping which is taking place in this Department. I think it continues to be evident in this particular field of rapeseed development. That is all I have to say.

The Chairman: Mr. Hales, possibly it might be better to bring up criticism of item No. 1 at a time when the Minister is present.

Is that all, Mr. Hales?

Mr. Hales: Yes.

The Chairman: Mr. Saltsman?

Mr. Saltsman: I am sorry, Mr. Chairman, but I did not hear the witness's name.

The Chairman: Mr. Barrow, the Assistant Deputy Minister.

Mr. Saltsman: Mr. Barrow, when the Donald Report on the coal mining situation in Cape Breton was released was it submitted to your Department for study?

Mr. Barrow: Yes, we as well as other departments, of course, received a copy of this report.

Mr. Saltsman: Which branch of your Department studied this report?

Mr. Barrow: I believe one of the groups that studied the report was the Area Development Agency.

Mr. Saltsman: When the government decided on the establishment of a crown corporation in Cape Breton to take over some of the mines, develop industry and stimulate the area generally, was this matter discussed with your Department in order to get your recommendations and suggestions?

Mr. Barrow: I believe it was particularly discussed with the Minister and possibly with the Deputy Minister. The prime responsibility, as of course you are aware, is with Mr. Pepin and the Department of Energy, Mines and Resources, but I know the Minister of our Department was concerned and I believe he was a party to the discussions.

Mr. Saltsman: I am interested in the degree of co-ordination and consultation that takes place between the different departments because, as you are well aware, a crown corporation has two functions. One function is the phasing out of coal mines, which deals with mines and energy, and this sort of thing. The other function is the replacement of that activity by new industrial development under a crown agency. I think this clearly falls within your area of purview. This is why I am interested in knowing the degree to which your Department was consulted, the degree to which you made recommendations and what part of the bill that was eventually passed was the work of your Department.

The Chairman: Mr. Saltsman, may I bring to your attention that I do not believe this item comes under Vote 10. I would suggest it would be better to put this type of question under vote 1 to the Minister, who may appear before this Committee next week if we pass the three items now before us.

Mr. Saltsman: I am quite willing to defer to your judgment, Mr. Chairman, but I see some slips of paper being passed around and if the information is at hand I wonder if we could now have it presented in a preliminary way and I will postpone my questioning until later.

The Chairman: If Mr. Barrow has the answer I will permit him to give it at this time.

Mr. Barrow: In answer to Mr. Saltsman's question, I know that the Department of Industry was consulted and that our officials studied the question and advised the Minister. I think it would be preferable if the Minister answered directly on the matter of our participation. I know our officials were concerned. . . with this subject.

Mr. Peters: Was that the important message on the slip of paper?

Mr. Barrow: No. As a matter of fact, this went on to ARDA.

The Chairman: Are there any further questions on Vote 10?

Vote 10 agreed to.

We will now move on to Vote 15.

Department of Industry

15 Capital subsidies for the construction of commercial and fishing vessels in accordance with regulations of the Governor in Council. $30,000,000.

The Chairman: This item concerns the construction of commercial and fishing vessels.

I understood that Mr. Tremblay wanted to ask a question in this item but he has stepped out for a few minutes. Do any other members have any questions under Vote 15?

Mr. Hales: Mr. Chairman, I would like to ask why this item appears on this year's estimates. It did not appear last year so. I presume it is entirely a new vote and a new undertaking.

Mr. David B. Mundy (Assistant Deputy Minister, Department of Industry): It appears this year because it was transferred from the

estimates of the Maritime Commission to the Department of Industry.

Mr. Hales: Transferred from the Maritime Commission?

Mr. Mundy: The Maritime Commission previously had the responsibility, Mr. Hales, for the subsidy program for the construction of ships in Canada.

Mr. Hales: Is there any reason why it was transferred?

Mr. Mundy: When the Department of Industry was formed it became responsible for all areas of secondary industry, including shipbuilding, and as this is one of the main programs of assistance to the Canadian ship construction industry it was felt more appropriate that the Department of Industry should take it over.

Mr. Hales: I notice on page 241, after the heading for Vote 15, it shows for 1964-65 $32 million and for 1965-66 $40 million, and yet this does not appear in the 1966-67 column.

Mr. Mundy: It is anticipated that in 1966-67 the expenditures will amount to about $36 million.

Mr. Hales: Why does that not appear in the 1966-67 column?

Mr. Mundy: In that period it was not under the Department of Industry.

Mr. Hales: Oh, I see. These figures are taken froom the Maritime Commission's estimates?

Mr. Mundy: That is right.

The Chairman: I believe, Mr. Hales, you will find the same procedure under Vote 20. This was also under another department last year.

Are there any further questions under Vote 15?

Mr. Saltsman: I have another question, Mr. Chairman.

When these subsidies are provided for the shipbuilding industry is there an analysis made of the kinds of ships that are to be built and whether subsidies should be given to all types of shipbuilding or just to those ships that are being built that have a better or more viable future—and I am speaking about ships used for inshore fishing as contrasted with ships used for offshore fishing—or is it right across the board? Do all ships get the subsidy.

Mr. Mundy: In answer to Mr. Saltsman's question I would like to point out that there are certain criteria that have to be fulfilled in order to be eligible for a subsidy. The subsidy can really be divided into two categories. The first is commercial vessels and the second is fishing vessels. Perhaps I should be more specific with respect to fishing vessels and say fishing trawlers built of other than wood. In the case of fishing trawlers the subsidy is at the rate of 50 per cent. In the case of commercial vessels it is currently at the rate of 25 per cent and it will be on a reducing basis down to 17 per cent after May 31, 1972.

In further amplification of your question perhaps I should indicate that in the case of trawlers, in addition to their not being built of wood—steel, of course, is the main substance used but I suppose it is possible to use fibreglass—they must be over 75 feet in length and have to be equipped with an otter trawl or similar device. In the case of commercial vessels I believe the rules set out they must be over 100 tons. Mr. Hughes-Adams can perhaps explain this in more detail.

Mr. G. E. Hughes-Adams (Chief, Ship Division, Department of Industry): A non-propelled vessel has to be over 200 gross tons and a self-propelled vessel has to be over 100 gross tons. Tugs are the exception, they have to be over 50 gross tons.

Mr. Mundy: The further criteria with respect to subsidies are that they are for the carriage of goods or passengers. In other words, they are commercial vessels and are not to be used for pleasure purposes. We have included in this category certain marine works vessels such as dredges and also vessels for oil rigs.

The other criteria are that they be Canadian-owned, Canadian-built and Canadian registered.

The Chairman: Shall Vote 15 carry?

Vote 15 agreed to.

We will now move on to Vote 20.

Department of Industry

20. Payments, subject to the approval of the Treasury Board, for certain programs to assist defence manufacturers:

(a) with defence plant modernization, by paying one-half the cost of acquisition of new equipment; and

(b) in the establisment of production capacity and qualified sources for production of component parts and materials. $12,000,000

The Chairman: Are there any questions on Vote 20?

Mr. Hales: There is one point, Mr. Chairman, which I would like to mention. This, I take it, is grants to defence manufacturers under which they pay one-half of the cost of acquisition of new equipment, and so on. Could we have an example of a company that manufactures defence equipment that has made use of this grant or is that secret information?

Mr. Mundy: I do not think so, Mr. Chairman. If it would serve your purposes, Mr. Hales, perhaps I could answer it in a somewhat general way and then we can see if you want the names of companies.

Mr. Hales: I merely want a brief explanation.

Mr. Mundy: Since July of 1964 and up until February of 1967, when we assembled our last statistics, there were 114 projects in existence under this Vote. These 114 projects included a wide range of Canadian defence contractors. In fact, I would say that it probably included the majority of both small and large firms.

One project that we have dealt with, for instance, is a small gas turbine which is being developed in Canada for export, and under this Vote we have assisted in modernizing the machine tools required by the company in order to establish a production rate of 100 per month.

Another example where this has been applied and where a large portion of the total funds have probably been expended is in the case of the new United States C-5A giant military cargo transport aircraft. In this case assistance has been channelled to a variety of firms who are concerned with the fabrication of metal parts under the new techniques required for this particular aircraft.

There are also a large number of examples in the electronic field where assistance was given to companies—

Mr. Hales: This particular cargo transport on which we spent money to help develop is a United States airship?

Mr. Mundy: That is right.

Mr. Hales: This United States airship could be used in the South Viet Nam war, we have no control over that.

Mr. Mundy: The C-5A is presently in the development stage, Mr. Hales, and I do not think the first aircraft will fly for another two years and I think it will be a further year or two before it is brought into use.

Mr. Hales: With respect to the company that is manufacturing the gas turbine, are there any stipulations to the effect that this may not be exported for use in the American war?

Mr. Mundy: Mr. Chairman, we are really getting into a question here which is the responsibility of the Department of Defence Production. The Department of Defence Production is responsible for the military export sales program. Policy statements on the subject which you have raised, Mr. Hales, have been made by the Prime Minister and by the Minister of Industry. We can certainly make these policy statements available to you covering this particular issue.

Mr. Hales: All right.

The Chairman: Are there any further questions under Vote 20?

Mr. Saltsman: I have a follow-up question to that of Mr. Hales. Can you give us any indication of what percentage or what proportion of this money is being spent on indigenous Canadian projects with the initiative arising here in Canada and to what extent this money is being spent on projects assigned to us as part of NATO grouping or our NORAD grouping?

Mr. Mundy: By the nature of this Vote it is in the production area, so this Vote is really picking up after the design has been completed, and the development process has been gone through, as far as the particular product is concerned.

In the case of our other votes for assistance for development, of course they are all for indigenous projects. In the case of this vote I would say that it is a mixture between projects which arose out of our own development assistance arrangements and projects which were in fact developed in other countries. The first example I gave which was the small gas turbine engine was an indigenous development project that we picked up at the pro-

duction stage to assist in the modernization of the production facilities to produce the engine in series production. In the second case we were obtaining the production contract for an equipment which was designed in another country.

I do not have any precise figures on the ratio but off the top of my head I would estimate that it could perhaps be fifty-fifty between indigenous and foreign projects with respect to this particular vote, which, as I say, is a question of modernizing our production facilities.

Mr. Saltsman: Is it your opinion that some of this production would not have taken place in Canada were it not for what in effect is the subsidy being paid to some of these companies?

Mr. Mundy: I am absolutely certain of that, Mr. Chairman.

Mr. Saltsman: Why is that? Would not the normal commercial attractions have—

Mr. Mundy: In order to qualify even as a bidder on some of these production contracts you have to have certain capital facilities, mainly, tape-controlled machine tools, the latest state of the arts type of modern production equipment. This qualification is really on the technical side. Then in order to qualify on the price side, in other words, in order to be able to compete, to bid effectively, you have to have this type of equipment.

You have referred, Mr. Saltsman, to this being a subsidy. I think I should point out that the competition which we are up against with respect to our allies for the production of this type of equipment is such that in these other countries, particularly the United States, these particular companies against whom we are bidding already have this production equipment and have been modernized as a result of previous defence contracts which they have received.

Mr. Saltsman: Do you see any great difference between the problems of defence production and the problems of civilian production? Do we not face the same kind of difficulties in the production of goods and services with a civilian market as we do in defence production, and should consideration be given to applying the same kind of measure to our industry generally as is applied to defence production?

Mr. Mundy: That is a good point, Mr. Saltsman, and it is the point to which we are addressing ourselves at present and studies are under way in the Department. I would, however, point out that there is some fundamental difference between the defence and the commercial spheres. The difference really relates to the element of risk involved. In the case of defence, the element of risk is extremely high because there is only one customer and that is the government. The company involved in either the development or the manufacture of the product is at the whim of that one customer and cancellation can take place overnight; whereas, in the commercial sphere, the producer or the developer has some control with respect to the marketing of his product.

Mr. Saltsman: This seems to be a very good reason in my opinion that perhaps greater emphasis should be placed on the commercial part of our industry rather than the defence part because our defence part is so vulnerable and there seems to be some danger of our having made this great investment and provided this assistance to them and suddenly of their finding themselves without customers.

In effect, what you are saying is that the kind of equipment for which assistance is given under this program is not as adaptable to civilian production as it might be.

Mr. Mundy: I am not really saying that, sir. What I am really saying is that taking into account the state of the art with respect to the defence industry, it always leads commercial industry by several years. For instance, in the case of the transistor, the first applications were in the military sphere and the commercial application came only at a later date. One of the criteria that we take into account in approving applications for modernization is the applicability of this in the future to commercial production.

Mr. Saltsman: If it is not applicable to commercial production you do not provide it?

Mr. Mundy: No, I would not say that, sir. I would say that it is one of the criteria that we take into account and is regarded as a plus, but virtually all of the equipment that we have approved has, in fact, in the long run, got an application to the commercial market but it is a question of time.

The Chairman: Does that answer your question, Mr. Saltsman?

Mr. Saltsman: It answers it and raises a whole bunch of new ones.

The Chairman: I would suggest that you put them under Vote 1 which has been stood and will be brought up again when the Minister is with us.

Shall Vote 20 carry?

Mr. Hales: Mr. Chairman, this vote did not appear last year and apparently it is a new amount of $12 million. Is there any explanation?

The Chairman: May I suggest, Mr. Hales, that this vote last year was under the Department of Defence Production, and I think you will notice that in the estimates a large group comes under Defence Production. It was pointed out to me at the beginning of the meeting that that is the reason there is nothing under 1966-67.

Shall Item 20 carry?

Item 20 agreed to.

Gentlemen, I would suggest that we turn to page 592 in the large blue book of the estimates, if you have it. In the small copy, it would be on page 17.

Mr. Hales: Mr. Chairman, are you not going to discuss the items on the bottom of page 241?

The Chairman: These are two statutory items. They are not for the Committee, Mr. Hales. I am sorry, I should have pointed that out to the Committee.

On page 592 of the large blue book or page 17 of Issue 1 of the Minutes of the Committee you will see the two supplementary votes: the first one is Vote L 60.

Industry

L60 Loans, in the current and subsequent fiscal years and in accordance with terms and conditions prescribed by the Governor in Council, to assist manufacturers of automotive products in Canada, including materials suppliers and tooling manufacturers, affected by the Canada-United States Agreement on Automotive Products to adjust and expand their production; such loans to be made for the purpose of acquisition, construction, installation, modernization, development, conversion or expansion of land, buildings, equipment, facilities or machinery and for working capital; and to authorize, notwithstanding section 30 of the Financial Administration Act, total commitments of $60,000,000 for the foregoing purposes during the current and subsequent fiscal years 67-68, $30,000,000; 66-67, $15,000,000; Increase, $15,000,000.

Are there any questions on Vote L 60?

Mr. McCutcheon: This is, as I take it, for parts manufacturers.

Mr. Barrow: Parts manufacturers and their suppliers. They are also eligible for loans.

Mr. McCutcheon: What are the terms of those loans?

Mr. Barrow: A loan can be made for a maximum period of twenty years for land and a maximum period of ten years for building and equipment. The interest rate is six per cent. In addition to that, loans can be made, not only to cover the cost of plant, the acquisition of plant, new equipment, but also working capital can be included. Those are the basic conditions of each loan.

Mr. McCutcheon: None of the major manufacturers are entitled to participate in this scheme.

Mr. Barrow: No manufacturer who manufactures automobiles is entitled to participate. A truck manufacturer could participate providing he does not make automobiles. Also, a bus manufacturer who does not make automobiles could participate. In other words, we have a lot of relatively small companies that are making trucks and buses in Canada who are independent producers and who do not make automobiles and they are eligible.

Mr. Peters: Why is there this limitation?

Mr. Barrow: Is was felt that the companies that manufacture passenger automobiles were in a position to raise their own financing and would not need to have access to this fund. The only companies in Canada that manufacture passenger cars are very large companies and international companies who have ready access to sources of financing. Therefore, they were excluded. They are the only companies though in this business.

Mr. Peters: Did you not cover Volvo originally?

Mr. Barrow: No, Volvo has never been covered in this Vote. It has never been eligible. Volvo, of course, is also a large international corporation.

Mr. Peters: Renault, Peugeot—the Department of Industry did not make grants to those companies through the Government of Canada?

Mr. Barrow: No, not at all. No monies have been advanced from the Department of Industry to any passenger car manufacturer.

Mr. McCutcheon: Who are these truck manufacturers?

Mr. Barrow: There are many; there are probably thirty of forty truck manufacturers in Canada. I do not know whether Mr. Arthur has a list with him or not but we could supply you with a list.

Mr. McCutcheon: I think that would be interesting.

Mr. Barrow: When I say that they are eligible it does not mean necessarily that all of them have received loans.

Mr. McCutcheon: Well then, let us find out who has. Could we do that?

Mr. Barrow: We are not allowed under our authority to disclose the names of companies. This is a question I think you would have to refer to the Minister but as officials we are not empowered to disclose the names of the companies.

Mr. McCutcheon: Mr. Chairman, the point is this. In my limited knowledge, heavens, truck manufacturers are just as international as automobile manufacturers.

Mr. Barrow: No, sir. If I may explain the purpose of this loan, it was basically to finance the re-equipping and the expansion in the parts industry. There have been very few truck manufacturers, and the ones that have received loans have been very small, and owned in Canada and quite independent. The large international truck manufacturers —I think you have in mind General Motors, Ford, International Harvester—all produce cars and are not eligible for the loans.

Mr. McCutcheon: What about White Motor Company of Canada? What about International? They do not produce automobiles.

Mr. Barrow: Yes, International do, sir. They produce a Travelall which disqualifies them. We studied this pretty carefully and quite deliberately so that basically the purpose of this fund is to finance the expansion and the modernization of the parts industry.

Mr. Hales: White Motor Company and Mack Truck Manufacturing Company of Canada Limited have not received loans?

Mr. Barrow: White has received no loan and neither has Mack.

Most of the loans have gone either to parts manufacturers or to their suppliers who are usually small Canadian companies.

Mr. Saltsman: A supplementary question, Mr. Chairman. What about subsidiaries of the major automobile manufacturers? Would they be eligible?

Mr. Barrow: No, they would not be eligible. Affiliates, in other words, are excluded.

Mr. Saltsman: Do you make any financial assessment of a company's ability to finance in the market before granting a loan?

Mr. C. D. Arthur (Secretary of the Adjustment Assistance Board, Department of Industry): Under the terms of eligibility that the applicant must meet one of the conditions is that if the applicant is not able to obtain the financing from other sources under reasonable terms and conditions, the Board, under that condition of eligibility, must satisfy itself that these funds are not available; either they are not available at all or that the terms and conditions would be unreasonable in the light of the company's program and its present financial position.

Mr. Saltsman: Does this include an application to the IDB as well? Would they have to indicate they had been turned down by the IDB?

Mr. Arthur: Well, the IDB terms of reference are very similar as far as eligibility is concerned, but this is one of the other lending institutions that the Adjustment Assistance Board would ask an applicant to obtain an opinion from before considering him eligible under the Adjustment Assistance Board's terms.

Mr. Saltsman: In setting up this program, did you give any consideration at the time to increasing the authority of the IDB to handle this kind of problem rather than setting up a special agency for this purpose? Could you give me your reasons for not having gone through the IDB?

Mr. Barrow: There were consultations with the president and the senior officer of the IDB at the time the fund was being considered. We asked the IDB whether they wished to take on this function. They said, of course, that they do finance parts makers in Canada and would continue to do so. However, they

felt that this fund that was being proposed was so closely tied in with the automotive program and the people who administered the fund would probably be better able to administer it in a way that would achieve the objective of the program than would their own staff. They felt that if they did not have the background of the program and their staff did not have the background, especially the field offices, that the program and the fund could be better administered by a group in the Department of Industry who also have the background on some of these programs.

Mr. Saltsman: This strikes me as—

The Chairman: Mr. Saltsman, if you will permit me to interject here, I believe that you were on a supplementary question. We will continue with Mr. McCutcheon, then.

Mr. Saltsman: Fine, I will come back to it later.

Mr. McCutcheon: I pass.

The Chairman: If you pass, Mr. Hales has indicated that he would like to ask a few questions, then Mr. Lind followed by Mr. Saltsman.

Mr. Hales: I understand that this loan is administered by a board—

Mr. Barrow: That is correct, sir.

Mr. Hales: —and you are on this board.

Mr. Barrow: The Chairman of the Board is Professor Bladen of the University of Toronto. In addition, the Deputy Ministers of Industry, Finance, Trade and Commerce, National Revenue, and Labour comprise the Board.

Mr. Hales: How many parts manufacturing companies have made application for these loans up to your last reckoning?

Mr. Arthur: In the fiscal year ending March 31 we had some 70 inquiries. These are not necessarily all applications, but inquiries from either material suppliers or parts manufacturers or other producers in the industry that are eligible. Of the 70, some 40 were considered to be serious applications, and of that number some 36 were declared eligible for assistance. Being declared eligible does not necessarily mean that they will obtain a loan, but they are eligible for investigation to see if a loan can be made.

Mr. Hales: How many have you actually given loans to?

Mr. Arthur: Since the program was introduced, 38 loans have been given.

Mr. Hales: Thirty-eight since it was introduced?

Mr. Arthur: That is right.

Mr. Hales: You have turned down quite a few, then?

Mr. Arthur: Well, Mr. Hales, I think the answer to that is that a number of these companies that inquire do not follow up; either they do not develop a program or they find other sources of financing. The Board has turned down some applictions after they had been declared, but only three. Some of these applications are in process.

Mr. Hales: So you have made 38 actual loans to parts manufacturers in the whole of Canada. Are any of these that you have made loans to in arrears of interest payments?

Mr. Arthur: No, sir.

The Chairman: Is that all, Mr. Hales?

Mr. Hales: Yes, sir.

Mr. Peters: A supplementary question, Mr. Chairman. Are all these loans made to companies in one particular province?

Mr. Arthur: No, Mr. Chairman; they cover four provinces: Quebec, Ontario, Manitoba, and British Columbia.

The Chairman: Mr. Lind.

Mr. Lind: Mr. Chairman, what rate of interest are these industries charged on this loan, and what regulates the terms of repayment of the loan? This is what I am interested in.

Mr. Arthur: Mr. Chairman, the rate of interest is 6 per cent. This is established in the authority setting up the Board. The terms of repayment are at the discretion of the Board, and are based first of all on the program and the financial capability of the applicant to repay; so that these terms of repayment may vary with each applicant. This, again, is based on the particular circumstances of the company and the program it is proposing.

Mr. Lind: Have these industries in parts manufacture and truck bodies been able to obtain contracts outside of our own country for these parts? Has it been beneficial to the industry to obtain trade, say, with the U.S.

and other parts of the world so that it will expand our secondary industry in parts manufacture? Have all of these been able, pretty well, to obtain these contracts?

Mr. Barrow: I would say, sir, that exports of automotive products from Canada have increased very greatly. If your are interested I can give you the figures.

Mr. Lind: Yes.

Mr. Barrow: We have them here. Let me just turn to the correct page. Exports from Canada in automotive products, traditionally have been very small. In the last two years they have risen—I have the figures here; let me just give them to you. To all countries, exports of such products from Canada in calendar year 1964—and I am using official DBS statistics—were $186.9 million. In 1965 they had increased to $364.1 million; by 1966 they had increased to $1,004.5 million. In other words, over the period of time, they had increased by 437 per cent, so that we believe that the program, which is assisted of course by these loans, has very substantially increased our exports and enabled our parts makers to get ordres and to export, whereas before, they found it extremely difficult to do this.

Mr. Lind: Pardon me, may I go on, Mr. Chairman?

The Chairman: Yes, Mr. Lind.

Mr. Lind: One of the parts manufacturing areas that I am concerned about is the stamping industry, as you probably know. Has anybody in the stamping industry been able, through getting a loan from the Adjustment Assistance Board, to meet this competition and raise their exports?

Mr. Barrow: The answer is yes. A number of stampers have obtained loans from the Adjustment Assistance Board. I was speaking to probably one of the leading stampers just six weeks ago, and he tells me that because of the loan, which has enabled him to re-equip his plant, he now has the most modern equipment. I might say that this is a Canadian-owned and a Canadian-managed parts company. He now has very substantial export business, and he said that he is very much satisfied with the arrangement.

Mr. Lind: The other area that I am concerned about in this industry is the export of truck bodies. You probably realize that my concern stems from the fact that the firm is in my constituency. I do not want to name the firm, but they are exporting truck bodies —special bodies—and I understand that they have obtained a number of contracts from companies in the U.S. Is this true?

Mr. Arthur: Two or three of the larger truck body manufacturers have been successful in obtaining export orders for truck bodies. These orders are mainly from people in the area immediately adjacent to the border, but some have substantially increased their business as a result of the availability of that market.

Mr. Lind: Then, through this acquisition loan that we are providing, we have assisted these industries in making them competitive so that they can meet higher production runs in the U.S., and gain entrance into this market.

Mr. Barrow: I think, sir, that it is fair to say that prior to the introduction of this program—and I am speaking of the loans in particular—many of both the truck body manufacturers and the parts makers had been geared to short runs, and their equipment was such that they could produce a multiplicity of products, but all in short runs. With the introduction of the automotive program and the availability of export business, these people found that they would have to re-equip their plants to produce the longer runs, and also to produce more effectively. These loans have been very helpful and very effective in enabling these people to put in the most efficient equipment into their plants, and in some cases they have acquired new plants as well; and to our knowledge the Canadian industry is not only obtaining larger orders, but they are very hopeful that in the future this business is going to go on expanding.

The Chairman: Mr. Lind, does that terminate your questioning?

Mr. Lind: Mr. Hales wants to ask a supplementary question.

Mr. Hales: Yes. I was just wondering if truck bodies are considered a car part; are they in those figures you gave us for exports?

Mr. Barrow: Yes, they are eligible and are included.

Mr. Hales: On those figures you gave us, have you in front of you the import figures that we can put underneath these?

Mr. Barrow: Yes, I think we have. Imports in 1964 from all countries were $838 million; in 1965 they were $1,155 million; in 1966 they were $1,630 million.

Mr. Lind: It is obvious that in this parts manufacturing field there is tremendous room for expansion. Do you anticipate, or have you on record, people wishing to expand their facilities at the present time and who take advantage of our loans?

Mr. Barrow: I am not sure, sir, that I understand your question clearly.

Mr. Lind: Is it generally known throughout the industry that these loans are available to assist them? This is what I am really getting at.

Mr. Barrow: We have attempted to make everybody in Canada who is producing automotive parts, and also their suppliers, aware of the availability of these loans. We have worked through the Canadian parts associations, we have worked through the press, we have been in touch directly with all the companies that we are aware of, and we are continually feeding out information to make them aware and to encourage them to come to us. Of course, we want to see these people as efficient as possible and able to take on even more export business. We have done our best to go out to all of these people; I think everybody is aware of the loan facility.

Mr. Lind: Well, we have had tremendous jumps; in 1965 from $364.1 million exports to $1,004.5 million in 1966, but we are still not balanced with the imports which total $1,630 million. Is it your anticipation that maybe in 1967 or 1968 we will be exporting more car parts than we are importing?

Mr. Barrow: I would point out, sir, that between 1965 and 1966 the imbalance was reduced. In 1965 the imablance on over-all account was $791 million. By 1966 the imbalance had been reduced to $626 million. In looking at our trade with the United States, where of course the major trade back and forth does occur, in 1965 we had a deficit of $780 million. By 1966 that had been reduced to $656 million; so that we think this is quite an achievement when you consider that over the past 20 years—I think in every single year—the deficit has increased in the rate until two years ago an increase of the deficit was between $50 million and $100 million a year. 1966 was the first year where this process had been reversed in a very substantial way. Of course we are hoping, and we believe that this process will continue to be reversed and we will begin to hold our own again.

Mr. Lind: Would you like to hazard a guess as to when this balance will be nil, it will be on the right side of the ledger as far as we are concerned, and we will be exporting more than we import?

Mr. Barrow: I am afraid you might quote my own figures back to me next year, sir.

The Chairman: I would suggest, Mr. Lind, that this would be an ideal question to put to the Minister under Item I.

Mr. Lind: Thank you, Mr. Chairman.

The Chairman: Before going on to Mr. Saltsman, who has indicated he would like to ask a few questions, may I suggest to the Committee that we still have a quorum and that there are only two items left to pass. As it is now almost ten minutes to eleven o'clock, I hope we can keep the quorum, pass these two items today, and then by next week I will be able to get in touch with the Minister and revert back to Item I and touch on all these subjects with him. If one meeting is not enough, we could possibly have two meetings with the Minister. If the Committee is agreeable we could all stay here until we pass these two items, and leave the next meeting at the call of the Chair; I will then discuss with the Minister when he will be available and notify Committee members. If this is agreeable I will go on now with Mr. Saltsman.

Mr. Saltsman: Returning to my enlarged supplementary question on the banking function of the Department of Industry, the Department of Industry obviously has a great deal of work to do and the question that arises is: should it be just a banking function or should some other arrangement be made, for instance, working through the IDB—a development bank generally? This applies not only to the Department of Industry but to other departments as well. That is, an arrangement made whereby you simply recommend that a loan be made to certain individuals. I would like your comments on this from a technical and administrative point of view, because it seems to me that you should not be in the banking business; the lending busniess, yes, but not the banking business.

Mr. Barrow: If I may, I will deal with the factual, and not the policy aspects of your

question—you may wish to consult the Minister on this question, too. As I mentioned a moment ago, an approach was made to the IDB to ascertain whether or not they felt that they should take on this function.

One of the considerations in discussing this matter with the IDB was that this loan fund is really a transitional arrangement. In other words, it was felt that the automotive industry—the parts industry basically—over a period of perhaps three years, would have to re-equip and adjust to the new program. Therefore this was not a regular or a long term banking function.

As a result, it was felt that the transitional assistance in one sense was an integral part of the over-all program. It is one thing to introduce the program, and then the next step is to ensure that the Canadian producers, particularly those who do not have access to large sources of financing, can obtain the financing that they will need to modernize and expand their operations.

As you will note, this fund does have a terminal date—Mr. Arthur tells me it is 1968—so that it is directly tied in with the first transitional period under the program, and therefore both the Bank of Canada and, I believe, the Government, decided that the transitional assistance really should be regarded as part of the over-all program. For that reason in the interim—in the transitional period—it was decided that it could be best administered from the Department of Industry but under the jurisdiction of an interdepartmental board with an outside chairman.

Mr. Saltsman: There are two things to that. First of all, it is not too transitional when some of these periods go up to 20 years. It means you are going to have to carry accounts, or items, or do bookkeeping, over a 20 year period of time.

Secondly, this is obviously only the beginning of this kind of assistance. We may be applying it only to the automobile industry at the present, but even the Minister has indicated that with the Kennedy Round of negotiations there may be dislocations; you may have to extend the program. And we have talked about rationalizing the furniture industry and other industries. Surely as a policy some thought has to be made to financing not only the automobile industry but the other industries that are going to be in a similar position. Just talking about three-year programs or temporary financing is not really going to meet the need. I think some consideration has to be given to how we are going to provide this kind of development and this kind of loan arrangement, not only for this industry but for all industries as well. I would certainly hope that whatever influence you gentlemen possess within the Department will be used to impress these facts upon the Minister.

Now, let me go on to something else, unless you wish to comment on my remarks.

Mr. Hales: Mr. Chairman, could I just follow on with this very good line of reasoning? I would like to know the actual operation on the practical end of this. We give, through estimates, $30 million to this Department. Have you set up within the Department a staff to administer this $30 million?

Mr. Barrow: Yes, that is correct.

Mr. Hales: What staff have you set up to do this?

Mr. Barrow: We have a special secretariat within the Department consisting of finance officers and people who are special—

Mr. Hales: How many people, though?

Mr. Arthur: There are 15 people on the staff.

Mr. Hales: Do you keep the actual accounts? For instance, if you grant a $5 million loan to a company, are the interest rates payable to you and do you keep all the ledgers and everything?

Mr. Arthur: The ledgers are kept in the Comptroller's Branch of the Department.

Mr. Hales: The Department of Industry?

Mr. Barrow: The existing financial officers in the Department take care of the administration once the loan is made. They are concerned with the repayment of interest and principal.

Mr. Hales: Well, this accentuates the good reasoning of Mr. Saltsman, that you are in a business you have no business to be in.

The Chairman: Mr. Saltsman.

Mr. Saltsman: I want to ask a further question regarding the criteria for making these loans. We have all discussed in this country the need to rationalize our industry, and the fact that many of our industries are really too small to compete in international markets. Just giving them machinery, or providing

loans for machinery, is not enough; we have to do far more than that. We have to make sure that they are of the size and the structure that will permit them to be competitive.

Under your criteria, do you grant loans for the rationalization of industry to permit two small companies to come together and to purchase each other's stocks in order to form a more efficient organization for competitive purposes?

Mr. Barrow: I would like to consult with Mr. Arthur a moment. I do not think we have had an application where two companies wished to come together. We think—perhaps I should consult our legal advisers—that we would have the authority to lend funds if this would increase productivity and make these firms more viable.

Mr. Saltsman: If one company came to you and said that they were considering purchasing company "B" in order to create this kind of situation, would you have the authority to make a loan for that purchase?

Mr. Arthur: If I might answer that question, Mr. Chairman—

The Chairman: Yes, Mr. Arthur.

Mr. Arthur: —If that was part of the program, yes. But I think the Board would certainly want to see something besides just a straight acquisition as the program of expansion. In other words, unless there is going to be some bringing together of production facilities and probably expanding the company or re-organizing it, I think the Board —while I believe it has the authority—certainly would want to see that the program of acquisition was going to be more than just purchase.

Mr. Saltsman: In its discussion on productivity the Economic Council of Canada I believe made some reference to the need to rationalize our industry. A further question I would like to put is, have you made any loans for the purpose of rationalizing Canadian industry?

Mr. Barrow: I think, Mr. Chairman, if I can put it this way, all of the loans in one sense are assisting the parts makers to rationalize because prior to the program the Canadian parts makers were given a multiplicity of orders for all sorts of parts. That is, one company might be asked to turn out 20 different parts, and they would be supplying, let us say, a vehicle manufacturer who, in turn, would be making 60 or 70 models of cars in Canada. The result was that they might be turning out, let us say, 50,000 hubcaps, which is a very expensive and high-cost operation.

Now, under the present program there is rationalization in the procurement of parts in that the motor vehicle manufacturer may now ask an individual company to produce only three or four different types of components, but he will give that manufacturer much longer production runs than he had before. To this extent there is a great deal of rationalization going on all through both the motor vehicle industry and the parts industry.

A moment ago somebody was asking me about the stampers, and this is what has been happening with the small Canadian stampers who two or three years ago would be asked to produce a great multiplicity of stamping, whereas now they are being asked to produce only three or four but are being given very long production runs. They have had to re-equip with new kinds of presses and stamping machines, but they have got their costs down much lower than before and they are much more competitive. They are getting into export markets where they never were able to penetrate before. This sort of rationalization is going on very extensively.

Mr. Lind: May I ask a supplementary question?

The Chairman: Mr. Saltsman, will you permit a supplementary?

Mr. Lind: I would like to know whether a parts manufacturer who has obtained a loan and expanded, but whose business has expanded faster than he originally anticipated, can come back to you and, without too much of a problem, get additional money in order to expand further to increase his production?

Mr. Barrow: Yes, we would be very happy if he came back for more money to increase production; this is exactly the thing we want to encourage.

Mr. Lind: Thank you very much.

The Chairman: Mr. Saltsman?

Mr. Saltsman: One of the conditions of your loans is—

The Chairman: Mr. Saltsman, Mr. Tremblay has indicated he would like to ask a supplementary.

(*Translation*)

Mr. Tremblay: I will have two questions to ask, Mr. Chairman.

The Chairman: I will put your name on the list after Mr. Saltsman.

(English)

I am sorry, Mr. Saltsman, go ahead.

Mr. Saltsman: One of the conditions of the loans is that the interest rate is 6 per cent. I presume that this is provided to you through bond issues from the Department of Finance?

Mr. Barrow: The money is provided by Parliament through the regular estimates procedures.

Mr. Saltsman: Can you give us any indication of whether this 6 per cent covers the full cost incurred by the Canadian government or whether there is some element of subsidization in these loans?

Mr. Barrow: To the best of my knowledge it covers the full cost; there is no element of subsidy, we are told.

Mr. Saltsman: I might point out that my interest in raising this question is that we have tried to get the government to do this for housing and they have been very reluctant to get into this field. Thank you; I think that is all.

The Chairman: Mr. Latulippe and Mr. Tremblay would like to ask short questions, but I notice it is now 11 o'clock and some members are indicating that they have to attend another meeting. Could I ask the indulgence of Mr. Latulippe and Mr. Tremblay to reserve their questions until next week, and allow the Committee to pass Items L60 and L65? If this is possible, they could pose their questions to the Minister of Industry who will, I presume, be here next week. I hope this is satisfactory to the two gentlemen.

Mr. Peters: Mr. Chairman, I should like to ask a question. This has been raised by Mr. Saltsman and a number of other members and concerns the banking aspect of the Department. Probably it is a very important section and it could probably be under Item 1, but I think the Department might be prepared to set forth on paper their reasoning for keeping this and why we should not have a recommendation for amalgamating that section with the Development Bank. If this were prepared, it would facilitate the answers to the questions which obviously are going to be asked on Item 1 in this regard. There may be some legitimate reasons, but it is doubtful whether we have really heard them yet.

The Chairman: Mr. Peters, I will take this up with the Minister and suggest that these questions will be asked. Mr. Latulippe and Mr. Tremblay will be the first ones to question the Minister. I am sure he will have his departmental officials with him. I hope members of the Committee agree because we want to expedite the proceedings that we now have.

Mr. Hales: Further to what Mr. Peters has said, when you are preparing that perhaps a list of the employees, the rate of salaries and the total cost of operating that Department could be included.

The Chairman: If the Committee agrees—

(Translation)

Would that suit you, Mr. Latulippe?

(English)

Shall Items L60 and L65 carry?

Some hon. Members: Agreed.

Mr. Hales: Item L65 is really no different from Item 20 is it?

The Chairman: No, it is not too much different from Item 20.

Mr. Hales: Why are they separated?

Mr. Mundy: The reason is that in the case of capital equipment, a loan is made to the applicant for his 50 per cent share and he repays it over a period of five years.

Items L60 and L65 agreed to.

The Chairman: Gentlemen, this takes care of all the Items that have been referred to us by the House, with the exception of Item 1 which was stood. Item 1 will be called at the next meeting when we hope the Minister of Industry will be with us.

Thank you very much.

OFFICIAL REPORT OF MINUTES

OF

PROCEEDINGS AND EVIDENCE

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Translated by the General Bureau for Translation, Secretary of State.

LÉON-J. RAYMOND,
The Clerk of the House.

Publications

HOUSE OF COMMONS

Second Session—Twenty-seventh Parliament

1967

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. PATRICK T. ASSELIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

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TUESDAY, JUNE 27, 1967

Respecting

Main Estimates (1967-68) of the Department of Industry

INCLUDING SECOND REPORT TO THE HOUSE

The Honourable C. M. Drury, Minister of Industry

and

WITNESS:

Mr. B. G. Barrow, Assistant Deputy Minister (Operations), Department of Industry.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

27067—1

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Patrick T. Asselin

**Vice-Chairman:* Mr. Leonard Hopkins

and

Mr. Beaulieu,	Mr. Hales,	Mr. Reid,
Mr. Bower,	Mr. Latulippe,	Mr. Saltsman,
Mr. Caron,	Mr. Legault,	Mr. Scott (*Victoria (Ont.)*),
Mr. Chatwood,	Mr. Lind,	Mr. Sherman,
Mr. Forest,	Mr. McCutcheon,	Mr. Tremblay (*Richelieu-Verchères*),
Mr. Fulton,	Mr. Noël,	Mr. Wahn—24.
Mr. Goyer,	Mr. Ouellet,	
Mr. Grafftey,	Mr. Peters,	

(Quorum 13)

Hugh R. Stewart,
Clerk of the Committee.

REPORT TO THE HOUSE

FRIDAY, June 30, 1967.

The Standing Committee on Industry, Research and Energy Development has the honour to present its

SECOND REPORT

Pursuant to its Order of Reference of Thursday, May 25, 1967, your Committee considered the Main Estimates for 1967-68, relating to the Department of Industry.

Your Committee has held five meetings from June 8 to June 27, 1967, and has heard the following:

The Honourable C. M. Drury, Minister of Industry;

From the Department of Industry: Messrs. S. S. Reisman, Deputy Minister; B. G. Barrow and D. B. Mundy, Assistant Deputy Ministers (Operations); W. J. Lavigne, Commissioner, Area Development Agency; J. L. Orr, Industrial Research Adviser; G. E. Hughes-Adams, Chief, Ship Division, Shipbuilding and Heavy Equipment Branch; C. D. Arthur, Secretary, Adjustment Assistance Board.

During the course of its deliberations, your Committee discussed the Area Development program, the Automotive program, the various research activities of the Department and the idea of establishing a departmental information centre to provide data, particularly to the smaller Canadian manufacturers, on certain types of import goods. Your Committee did not have sufficient time to examine these important topics in detail and would welcome an opportunity to consider them more thoroughly in the near future. If permission is granted for your Committee to continue these studies, they would at the same time appreciate the opportunity of visiting certain of the major industries and research installations for which the Department of Industry and the Department of Energy, Mines and Resources have jurisdiction.

Your Committee commends to the House for its approval, the Main Estimates 1967-68, of the Department of Industry.

A copy of the relevant Minutes of Proceedings and Evidence (*Issues Nos. 1 to 5 inclusive*) is tabled.

Respectfully submitted,

PATRICK T. ASSELIN,
Chairman.

27067—1½

MINUTES OF PROCEEDINGS

TUESDAY, June 27, 1967.
(5)

The Standing Committee on Industry, Research and Energy Development met at 9:50 a.m. this day with the Chairman, Mr. Patrick T. Asselin, presiding.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Bower, Chatwood, Goyer, Hopkins, McCutcheon, Noël, Peters, Saltsman, Scott (*Victoria (Ont.)*) and Mr. Tremblay (*Richelieu-Verchères*)—(11).

In attendance: From the Department of Industry: Honourable C. M. Drury, Minister; Messrs. B. G. Barrow and D. B. Mundy, Assistant Deputy Ministers (Operations); and Mr. J. L. Orr, Industrial Research Adviser.

The Committee resumed consideration of *Item 1, Main Estimates 1967-68, of the Department of Industry.* The Minister, the Honourable C. M. Drury, was present for further discussion and to answer questions.

Mr. Tremblay (*Richelieu-Verchères*), opened the questioning with inquiries concerning Marine Industries Ltd. Messrs. McCutcheon and Saltsman directed a series of questions to the Minister which related to the Automotive program. Messrs. Saltsman, McCutcheon and Peters completed the questioning under Item 1, on a variety of subjects which included assistance provided by the Department to the furniture and construction industries, the BEAM program, and a suggestion for a regular publication to advertise the services which can be provided to small industries.

Item 1 was carried.

The Committee agreed, unanimously, that the Chairman report the Estimates to the House.

At 11:05 a.m., the Committee continued to sit, *in camera,* to discuss its Report to the House. The members agreed upon various suggestions for inclusion in the Report, which the Chairman was authorized to present as the *Second Report* of the *Standing Committee on Industry, Research and Energy Development.*

The Committee adjourned at 11:40 a.m., to the call of the Chair.

Hugh R. Stewart,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

Tuesday, June 27, 1967.

The Chairman: Gentlemen, if you will permit me to call the meeting to order, a number of other members have indicated they will be here very shortly.

The Minister of Industry is with us, and we have only Item I of the Estimates of the Department to pass. Under this item we are allowed to ask questions, and the Minister has willingly accepted our invitation to attend this meeting.

At the end of the last meeting we indicated that we would allow Mr. Tremblay and Mr. Latulippe to start the questioning. I will start with you, Mr. Tremblay.

(Translation)

Mr. Tremblay, you may begin your questions to the Minister.

Mr. Tremblay (Richelieu-Verchères): Mr. Minister, could you give me detailed amounts of the subsidies granted each year to Marine Industries Limited for ship construction?

Mr. Drury (Minister of Industry): Yes, Mr. Chairman. I shall refer to fiscal years. 1962-63, $665,903; 1963-64, $1,902,565; for the fiscal year 1964-65, $1,482,007; 1965-66, $200,123; 1966-67, $2,800,121; and for the current year, 1967-68, the amount will be approximately $3¾ million.

Mr. Tremblay (Richelieu-Verchères): In 1965-66, what was the figure, Mr. Minister?

Mr. Drury: $260,123.

Mr. Tremblay (Richelieu-Verchères): That was a small year, then?

Mr. Drury: The subsidies were in accordance with the company's requests for the construction projects.

Mr. Tremblay (Richelieu-Verchères): Thank you. I have another question. Are there, at the present time, any existing naval construction projects at Marine Industries Limited?

Mr. Drury: There are actual construction projects for which grants are being made. They are for fishing and commercial vessels.

Mr. Tremblay (Richelieu-Verchères): Can you give us the amount of these contracts?

Mr. Drury: No, but the grants are based on the contracts. This will amount to approximately $3¾ million. I do not have the exact amount.

Mr. Tremblay (Richelieu-Verchères): Now, one last question, Mr. Minister. I have been informed that Marine Industries Limited is preparing a submission for the construction of escort vessels. This company, I think, is one among five companies that is going to tender. Could you tell us when, approximately, the bids will be opened and the contract let?

Mr. Drury: We have already received bids and they are being studied. We are trying to let a contract for the construction of two ships at a main dockyard and another contract for two ships at a secondary yard. Marine Industries Limited have qualified as a main yard and as a secondary yard.

● (9.55 a.m.)

Mr. Tremblay (Richelieu-Verchères): Can you tell me whether they qualify as a principal or secondary dockyard?

Mr. Drury: They qualify as both.

Mr. Tremblay (Richelieu-Verchères): As both?

Mr. Drury: As both.

Mr. Tremblay (Richelieu-Verchères): Is it an advantage to qualify as both?

Mr. Drury: Yes, because they can bid on the main contract and also on the secondary contract.

Mr. Tremblay (Richelieu-Verchères): As far as the dates are concerned, can you give us an idea when a decision will be taken in this regard?

Mr. Drury: We should receive the bid during August. We will try to let the contract in November or December next.

Mr. Tremblay (Richelieu-Verchères): There is a rumour to the effect that Marine Industries Limited is to receive an enormous contract and the population is hoping that it will. That is why I am asking these questions. The people of Sorel and of the county should be informed as to when the large contract will get under way. You say it will be towards the end of the year. Thank you, Mr. Minister.

The Chairman: Is that all, Mr. Tremblay?

Mr. Tremblay (Richelieu-Verchères): That is all, Mr. Chairman.

(English)

The Chairman: Are there any other questions to the Minister?

Gentlemen, shall I call Item No. 1?

(Translation)

Mr. Tremblay (Richelieu-Verchères): I have forgotten one question. What is the approximate amount for the construction of escort vessels?

Mr. Drury: The amount?

Mr. Tremblay (Richelieu-Verchères): Yes.

Mr. Drury: The amount depends on the bids that are sent in.

Mr. Tremblay (Richelieu-Verchères): Yes, but what is the approximate cost of such a project?

Mr. Drury: For the two ships?

Mr. Tremblay (Richelieu-Verchères): Yes.

Mr. Drury: About $40 million a pair.

Mr. Tremblay (Richelieu-Verchères): And Marine Industries are definitely qualified to build those two ships?

Mr. Drury: Yes. That is, one pair in the main dockyard.

Mr. Tremblay (Richelieu-Verchères): Yes.

Mr. Drury: And one pair in the secondary dockyard.

Mr. Tremblay (Richelieu-Verchères): So one pair is worth about $40 million. What about the cost of the vessels to be built in secondary dockyards?

Mr. Drury: A little less. Because the main dockyard has to assume the role of lead yard in planning and in supervising of the other yards, it is granted a little more money.

Mr. Tremblay (Richelieu-Verchères): Will the contracts be let at the same time? If Marime Industries were chosen would the two contracts be let for the four ships at one time, or rather one pair and then the other later on?

Mr. Drury: First one pair to the lead yard, and the other pair later.

Mr. Tremblay (Richelieu-Verchères): Thank you.

The Chairman: Thank you, Mr. Tremblay.

(English)

Mr. McCutcheon, and Mr. Saltsman have indicated they would like to ask questions.

Mr. McCutcheon: Thank you, Mr. Chairman. Mr. Minister, I should like to ask a couple of questions in connection with this automobile pact. We know the benefit the auto companies have received, and we have been told that the economy and the employment situation has been helped by it. I am wondering whether you can tell us when and by what means the general public is going to be helped, and I refer now to their being able to purchase automobiles at lower prices?

Mr. Drury: I do not know that I could guarantee a lower price. Lowering prices at all does not seem to be a habit these days. But it is a fact that since the inception of this agreement, the differential in manufacturers' price between Canada and the United States, which was quite large in 1964 has been narrowed in the two years during which the bank has been operating.

You must realise that this agreement can have no direct effect on retailing prices or retailing practices. All we can influence effectively is manufacturing costs, and consequently manufacturers' prices. In one year there was a rise in United States prices, I think, and in the same year there was no rise in Canadian prices, and this represented a narrowing. In the second year the rise in Canadian prices was less than the rise in United States prices in the same year. Now, the course of prices at retail in the United States has been consistently up. In Canada in the first year of the operation there was no increase in Canadian prices on the average, and there was a lesser increase in Canadian prices in the second year than there was in the United States.

For those who are looking for an absolute reduction in prices, this is perhaps disappointing, but I think we should take satisfaction from the fact that Canadian prices either are not rising at all, or are rising less rapidly than prices in the United States.

Mr. McCutcheon: Mr. Minister, may I point out a specific example to you, and then probably I can have your comments on how we should answer it.

Automobiles manufactured in the United States and delivered to their dealers, by law have a suggested retail price affixed either to the windshield or to the glass showing all the equipment that is on the car, and the total retail price. Now, early this year automobiles that were manufactured in Detroit for the Canadian market slipped through the clean-up job at the border that should have been done, and different automobiles came in to dealers in Southwestern Ontario with suggested retail prices on them. There was a great deal of concern amongst dealers, I can assure you, when they discovered that the price of cars that were to be sold in Detroit at retail was $50 less than dealers net on that product in Southwestern Ontario.

Now, traditionally there has been a 25 to 33 per cent spread in automobile prices between the two countries. Quite frankly, on this evidence of prices the differential still exists, and I am sure the Canadian public believed all along that there was going to be a narrowing. Many people in the trade cannot see that it has happened yet.

Mr. Drury: Perhaps I might ask Mr. Barrow to give you precise information on this.

Mr. B. G. Barrow (Assistant Deputy Minister, (Operations) Department of Industry): In 1964, the year before the automotive plan came into effect, the average differential between Canada and the United States—if I may revert for a moment to manufacturers' prices —was about 8 per cent. This was prior to the introduction of the plan. In the first year of operation of the plan, 1965, as Mr. Drury has pointed out, prices in the United States increased, and I am speaking now of the volume models of cars—the Chevrolets, Pontiacs, Fords, Chrysler products, Dodges, Plymouths, and so on. In Canada, the prices either remained at the level of the previous year, or in some cases were reduced, and the result was that the differential in prices was reduced from 8 per cent to a little under 5 per cent in one year.

Now, in the second year of the application of the program, 1966, prices rose again in the United States. In some cases they remained constant in Canada, and in a few cases they increased because of the safety package. However, the increases in Canada were confined largely to the safety package, with the result that the increase was much smaller in Canada than in the United States, so that the differential now on the volume cars is considerably less than half of what it was in the year immediately prior to the introduction of the program.

We have discovered that it is very difficult to compare prices in the United States with prices in any given location in Canada. We have tried to do it; we have had our people go across to the United States and compare prices at retail with prices in Canada, and strangely enough one of our men who is quite experienced in this industry discovered he could buy one of the volume models cheaper in Toronto at retail than in the area of Buffalo or Fort Erie.

The difficulty however, in making valid comparisons is that you have to look at provincial sales taxes; taxes differ from state to state, and they differ from province to province in Canada. Also, the automobile manufacturers will charge freight, of course, and this will vary depending on the location. If they are selling a car right out of the factory door there may be no freight; if they are selling a car at a distance of 50 miles, there will be a freight charge, and of course, if it is a greater distance the freight charge will increase. Therefore, if these cars that you mentioned had been earmarked for sale at Detroit, probably they would first of all carry the sales tax for the State of Michigan, and secondly they would not carry any freight charge, whereas there actually would be a freight charge, of course, for laying down a car somewhere like Chatham, St. Thomas or London, Ontario.

It is very difficult to make valid comparisons, but the differential is very much narrower than it was two years ago. It has been cut by more than half and is down around the range of 3 per cent and in some cases even less. There are some volume model cars that were being sold last year in Canada at less.

Mr. McCutcheon: Can you be specific on that?

Mr. Barrow: I know the cars; I could tell you in confidence, I am not sure that I should feel free to say it here.

Mr. McCutcheon: All right. Concerning your reference to freight, do not the American manufacturers in the United States have the same type of freight arrangements as we, where dealerships that are close to the factory pay a hell of a lot more freight proportionally than they should in order to subsidize dealerships throughout Western Canada? The same thing pertains, I think, to American manufacturers, so I do not think that point you brought up should be considered valid.

Mr. Barrow: The freight is much higher, as you know.

Mr. McCutcheon: Yes; in Western Canada there is an extra $100 or more for freight.

Mr. Barrow: Another consideration you may wish to keep in mind is the discount. In the United States many of the dealerships are much larger than in Canada, and of course, as you know discounts tend to be larger with a larger dealership. In Canada the smaller dealers, although they may receive a given discount, will not receive nearly as large a discount as the bigger dealers.

Mr. McCutcheon: Have you examined that phase of it?

Mr. Barrow: Yes, we have sir.

Mr. McCutcheon: Is it all that large?

Mr. Barrow: There is a considerable variation in the discounts between a small dealership—the information has been given to us by the company—and a very large one.

Mr. McCutcheon: I think this is abundantly true. What you have said has been very helpful but it is very difficult for an automobile salesman to get this across to the general public, as you can well imagine. And the same applies to the manufacture of a product in, say, Oakville that sells for $3,300 when the same thing in upper New York, shall we say, sells for $2,400. Again this is a very difficult thing to explain to the Canadian public. I am not discounting the fact that it has been beneficial. Frankly, I want you to understand that I am looking for answers that can be explained to the general public who seem to have the same questions in mind that I have tried to put before you today. I will pass for the moment.

Mr. Drury: May I just say, Mr. Chairman, that one cannot always relate directly the selling price of a particular model or make to the cost to the manufacturer. Just as they do in using the basic point system in averaging out freight, if they want to push a particular line, or meet competition of a particular line, manufacturers will take a smaller margin on a particular car, or a larger margin on a car, than they do on the average. You cannot say that because car A actually cost the manufacturer $100 to build, and car B cost the manufacturer $98 to build, there is going to be a $2 differential in price. They may sell for the same price, or they may sell for a price spread of $30. Do you follow me?

Mr. McCutcheon: Of course, of course.

Mr. Drury: And because conditions tend to be different in the two countries, not only nationally but regionally, some apparent anomalies in comparative prices of a particular model of car appear on the two sides of the border.

Mr. McCutcheon: I would like to come back later.

The Chairman: Yes, Mr. McCutcheon, I will put your name down again on the list. Mr. Saltsman?

Mr. Saltsman: Mr. Minister, the purpose of the rationalization of this industry has been to increase productivity, I presume, and to provide a more rational approach to the manufacture of automobiles. Can you say to what extent productivity has been increased in the automobile industry in Canada, compared with the position before the pact?

• (10:15 a.m.)

Mr. Drury: Productivity, of course, is quite difficult to measure with any degree of precision. There are some rough, gross measurements which, I suppose, are satisfactory for an industry, or for a very large plant, as a whole. When you get down to particular operations it becomes a little less meaningful. Perhaps one of the better indices is the narrowing of the margin of the cost of production of a given line of products by the Canadian and American manufacturers.

Mr. Saltsman: With this trade agreement there really should be no inhibition of productivity in Canada. For instance, with the reduction in the number of models going through our lines and the rationalization of

plants we should, in theory, be producing as efficiently as the Americans right now.

Mr. Drury: I must qualify that immediately. You cannot overcome difficulties which have grown up behind quite a substantial protection over a period of about 30 years. You cannot cure all of them in two.

Mr. Saltsman: What are these difficulties that are inhibiting this development?

Mr. Drury: You are aware that in Oshawa there is now a very substantial change in facilities taking place. One of the difficulties was the unsuitability of the Canadian paintfinish for the American market. The spraying and baking operation, in the paint application must be taken out and redesigned and a different technique used. This means time down and quite a substantial investment. This is just an example.

Mr. Saltsman: It does not seem to me to be a major problem. These things happen in industry all the time as techniques change. So far as organizing production is concerned, the fact that they can run smaller numbers of models should really put them in a better productivity position than they have ever been in before. Is there any measure of this? Is there even a rough measurement?

For instance, I would like to have a measurement of the increase in productivity in relation to the prices that are being charged. For instance, when you were asked a question about prices to the consumer you indicated that they have not increased in Canada to the same extent that they have in the United States. It has not been a very dramatic sort of thing. I think it has been in the area, in most cases, of $30 to $40. This is a very small percentage of the price of a car. We should certainly have been able to expect dramatic increases in productivity as a result of this rationalization. Have the price adjustments been in harmony with the productivity increases? Have we only had that percentage of productivity increase? We are probably talking about the one or two per cent benefit. Has the benefit of productivity increases been greater than that?

Mr. Barrow: I can only say, sir, that in some cases I am led to believe that the narrowing of the differential has probably been greater than the increase in productivity. I say that because in many cases it has not been possible to adjust the facilities very quickly, even in a two-year period, and therefore certain components and models of vehicles in Canada are still being made in exactly the same way that they were three years ago. In other words, the firms have set certain priorities in their re-equipping and rationalization of their production with the result that you will find that they may have reduced prices of certain models of vehicles, or prices of certain components may have come down, although they are still being produced with the same equipment and with the same volume of run and so on as previously. In other cases, productivity has increased. There is, however, no uniform standard.

I think the example that the Minister gave was probably an excellent one, the General Motors facility at Oshawa, which, traditionally, has used an enamel finish for its production whereas in the United States they have been using a lacquer finish. This means that cars from Oshawa could not be shipped to the United States and rationalized with U.S. production until the paint lines used in the finishes could be converted. This process is taking place, we understand.

Another example I might give you is the Ford facility at Oakville. I understand that Ford has been making up to 75 models of cars on one assembly line there, and also assembling their trucks on the same line. They recently brought into production a new truck assembly line, which means that they have taken their trucks off, but they really have not been able to rationalize their Canadian production of cars very much and will not be in a position to do so until they get the new St. Thomas facility into operation, which will be an automobile one. They are doing some rationalization in the interim.

It is very difficult to measure, in any sort of a uniform way, as between one automobile manufacturer and another and the parts makers, what precisely the increases in productivity may be.

Mr. Saltsman: You may correct me on this figure if I am wrong, but after about two years of operating this program my understanding is that they are receiving a benefit of about $50 million a year. Therefore, after nearly two years and about $100 million they do not seem to be making very speedy progress, nor do they seem to be very rapidly achieving the kind of benefits we hope to get under this program, from what we can see. Certainly if the price of automobiles in Canada is related to their productivity in-

crease then the latter has not been very large, from what we can hear.

Mr. Drury: If, in the first year of the operation of the pact, when there are $50 million which presumably would have been paid in duties and was not paid, the prices of Canadian cars had gone up by exactly the same amount as did the American prices—and this particular year there was no rise in the Canadian prices as there was in the American—the Canadian companies would have been $49 million and something richer; therefore, in that first year, anyhow, the whole of this $50 million, less half a million dollars, was passed on to the Canadian consumer. I do not say this was done by design; it just happened that the arithmetic worked out that way.

Mr. Saltsman: We broke even that year?

Mr. Drury: We broke even that year. I have not seen the arithmetic on how many millions less the Canadian companies got as a consequence of not rising the second year.

Mr. Saltsman: To be fair, I know that there are other benefits to this trade pact apart from the reduction of prices to the consumer. However, it does not seem that we have moved as rapidly to gain the advantages of rationalization in this industry as I think we might.

There were very high hopes that they would rationalize their production and that the barriers, the inhibitions and the rationalization were being removed. It was a very forward-looking program, a new type of program in its time. Quite frankly, I think it is disappointing that they have not been able to make greater strides in this matter of the paint booths and the truck line of the Ford Motor Company. Surely, in two years, giant corporations of this type are capable of moving more rapidly than the evidence would indicate.

Mr. Drury: Would you consider that the plant at St. Thomas had been very slow, too?

Mr. Saltsman: I do not imagine that the rationalization depends on the building of Canadian plants. They can still rationalize without the building of plants. It is a question of redistributing their production amongst their other plants. The existing—

Mr. Drury: Yes; but this tends to be quite an expensive operation. They have to maintain production. If they could cease production for a year while they are rebuilding their existing plants they could do this quite economically, but they cannot. Simultaneously they have got to continue to maintain not only production but more efficient production and still reconstruct their whole assembly line while this operation is going on. You cannot just dismiss that by saying, "They should be able to do it. That is what they are in business for". One has to be realistic. It is perhaps a lot easier to grasp the time factor in the erection of a new plant in a place like St. Thomas than it is merely to say, "Well, they have to change a few nuts and bolts in Oakville and that is all they need to do". First of all, there is the engineering and, in the case of St. Thomas, a land assembly to be carried out. Following the engineering design there is the ordering of production machinery which has, within itself, a substantial lead time; and, finally, the installation and running in. I do not think it is too realistic to say that this should all be accomplished in two years and be running at 100 per cent.

Mr. McCutcheon: Why did not the prices go up in 1965? Did the Government say to the Company, "Now, you hold the line"?

Mr. Drury: The Government did not say, "Now, you hold the line." What it did say to the companies was, "The buying public expects at an early date, and visibly, some beneficial results, from their point of view, of this agreement. In everybody's interests you should pass on to the public as rapidly, and as large, as you can, not only immediate savings but some anticipated savings". This, I am glad to say, they did.

Mr. McCutcheon: May I ask a further supplementary question? What was the increase in imports in the first year?

Mr. Drury: I will get the figures.

Mr. Barrow: In 1964, imports from all countries were $838 million; and in 1965, the first year of the plan, they were $1.155 billion.

Mr. McCutcheon: These are dollars?

Mr. Barrow: These are dollars.

Mr. McCutcheon: Do you have units?

Mr. Barrow: No.

Mr. McCutcheon: That is irrelevant. The point is, Mr. Chairman, that the reduction in

Canadian prices does not really mean very much because our imports were up considerably more, and by the Minister's admission the cost of those American-produced automobiles was much higher. Therefore, I say that there is a great deal of rather nebulous thinking here. I am not criticizing the fact that Chrysler Corporation used to have 7,000 employees and now has 13,000. I am all for this. This is wonderful. But there seems to me to be a gray area here. The Canadian people must have been paying more, or equally as much, for those imported cars as they paid the previous year. This is my point, Mr. Drury.

Mr. Drury: In some cases this is true. I mentioned the lack, in every case, of direct relationship between cost of manufacture and selling price. However, Mr. Saltsman asked me for some measure of the benefit that Canadians got in the first year. I tried to indicate that that was of the order of $50 million worth. There are those who would argue that this is not enough, that it should be more, which is, in effect, saying that the profit margins of the companies should be lowered. Is this the argument that is being made?

Mr. McCutcheon: The point is that it is the Canadian public who, to coin a phrase, are putting up the $50 million. Surely now, after almost three years, they should be getting some benefit.

Mr. Drury: Well, I have just indicated that in the first year they did get a benefit of $50 million. Regrettably, I do not have the arithmetic on what was the narrowing of the differential for the second year.

Mr. McCutcheon: Who got the benefit of the increase in imports from $838 million to a billion and something?

Mr. Drury: You ask who got the benefit. This is part of the process of rationalizing. Although imports increased substantially, so did exports. Presumably a great many Canadian parts manufacturers got the benefit, and the additional employees they took on got the benefit, and the Canadian public, as a consequence of improved efficiency and production in Canada and lower-priced imports were able to obtain a further narrowing of the differential in the second year. Therefore, the employees, the part manufacturers and the public all got a slice of this.

Mr. McCutcheon: I do not want to belabour the point any longer, Mr. Chairman. I would love to sit down and have the Minister go over this with me so that I could clearly understand it.

The Chairman: Thank you very much. Mr. Saltsman.

Mr. Saltsman: Mr. Chairman, I wish to ask the Minister a further question on one of the specific examples he gave me regarding the Oshawa plant's paint facilities. These have not been completed as yet, have they?

Mr. Drury: The conversion is not completed.

Mr. Saltsman: I find it difficult to understand why, knowing how this pact was going to work, it would take the company two years to start the conversion when they knew that their paint finishes in Canada were not acceptable on the American market. What is the explanation for this time lag? The conversion is not finished even yet. Why did not the immediately start on this conversion? They knew that they were going into the American market and that these cars had to be acceptable by, or brought up to, North American standards. Why would the company delay so long in making this kind of conversion?

Mr. Drury: You are asking why it has taken them so long. I cannot answer you in precise detail. This is a question that really should be addressed to General Motors.

Mr. Saltsman: Well, would you address it to General Motors? They do not always listen to me!

Mr. McCutcheon: Nor to the Government.

Mr. Drury: General Motors undertook to increase its production by a significant amount over this period. It was left to the company to decide how they would do this. They made a plan to increase production, and in the phasing of it they were rather more rapid in some of the many steps necessary to achieve rationalization of the whole operation than in others. One of the not so rapid ones appears to have been the changeover in the paint operation.

Mr. Saltsman: Yet it is absolutely fundamental. Now I would like you to continue.

Mr. Drury: It is fundamental to the production of passenger cars for the American market in the Oshawa plant.

Mr. Saltsman: And this is one of our major plants.

Mr. Drury: It is one of our longest-established; there is no question about that.

Mr. Saltsman: Perhaps I could conclude this particular line of questioning, Mr. Chairman, by saying again that, sympathetic as you, or I, or others may be to the rationalization of production in Canada it is extremely difficult to understand what appears to be the very slow progress in the accomplishment of this objective in Canada. I hope that the automobile companies will see fit at some time to provide an explanation of this.

Mr. Drury: Mr. Chairman, I commend Mr. Saltsman for his impatience for good and for improvement, but one might remark that over a two-year period the automobile industry, including the parts manufacturers, have succeeded in increasing their exports to the United States by some 400 per cent—fourfold. Over a two-year stretch I do not think that constitutes a blot on their escutcheon, or could be chalked up as a disappointiing performance.

It is always a matter of chagrin to the enthusiast not to achieve everything in the shortest possible time, but I still think one must be a little realistic. Although perfection has not been reached at least substantial progress has been made. In my opinion, it would be unfair to the automobile industry to say that their performance has been disappointing.

Mr. Saltsman: Well, I am glad that the Minister has removed the blot from their escutcheon.

If I may proceed, I would like to ask the Minister what plans he has for the rationalization of other industries in Canada. The Economic Council has pointed out that one of the great problems facing Canadians is the lower standard of living deriving from the fact that much of our industry is not as efficient as that south of the border and is in dire need of some kind of re-organization to improve productivity. What plans are the Department making for other industries?

Mr. Drury: Well, as I have said on a number of occasions, the objective of the Department is to improve the productivity of Canadian manufacturing industry. Another thing that has been frequently said is that the problems facing manufacturing industry in Canada differ vastly from industry to industry. A prescription, a formula, a technique for improvement in one will not necessarily fit any other.

The Department organized on an industry-by-industry basis, and each division, having gone through a period of familiarization with the problems of the industry, is, in concert with the industry concerned, trying to evolve programs for the improvement of its efficiency and productivity. You are, I think, fairly familiar with the automobile industry. In the case of one other, the furniture industry, in which some progress has been made, the fundamental problem is fragmentation. There are a very large number of very small furniture-producing units in Canada operating behind a high tariff barrier. The consequence of this is that these many small firms tend to serve highly localized markets and try to serve them completely, with a full line of furniture. This produces short runs with a relatively low margin of profit and they are unable to acquire the financial resources necessary to invest in the latest production techniques or to engage in adequate research and development. We are now trying to encourage, within the industry itself, a rationalization which will take the form of organizing co-operative search and research and co-operative marketing, where this can be arranged, and the formation of rationalized or co-operative production which will allow of longer production runs and of specialization.

There are other prospects for other industries. There is quite a different approach to the construction industry, the characteristic of which has been the manufacture of buildings locally on site. The whole building, with the exception of relatively small components, tends to be manufactured individually each time on the site. There does appear to be an opportunity for the introduction of rather more standardization of components and of construction techniques instead of having each building completely individual in itself. To this end we have organized a number of groups, or committees, in the building industry under the general aegis of the Building, Equipment, and Materials Program, or BEAM. These committees are composed of architects, consulting engineers and contractors, and we are in the process of trying to obtain labour representation on them.

Their purpose is to try to introduce into the construction industry rather more of the cur-

rent industrial techniques employed in the manufacturing industry. One of these, of course, about which there has been a good deal of talk, is the modular concept by which components are manufactured universally to standard, predetermined lengths. There is some enthusiasm for this not only among contractors but also among architects and construction engineers. This has not yet been done in this country; I hope it will be. Because it is largely a program of education and persuasion it takes time, but it is in progress.

Mr. Saltsman: Has not this kind of work been carried out for quite a number of years by the National Research Council? They have been doing exactly what you have described in relation to the construction industry. This is really not new work.

Mr. Drury: The National Research Council has been doing very useful work indeed in the technical development of standards and in the development of components. They have not had much success, however, in persuading the construction industry as a whole to make a concerted attack upon its problems.

The National Research Council have had their greatest success in this particular field in the drafting—and this was a monumental labour in itself—of a standard building code. This is somewhat different, however, from the establishment of standards and modular concepts for the construction industry as a whole.

The Chairman: Mr. Saltsman, excuse me for interrupting. Perhaps we should allow somebody else to ask a few questions. I know that you are following through on a trend, but a few others have been indicating—

Mr. Saltsman: I will finish with one question and then I will pass.

The Chairman: All right; thank you.

Mr. Saltsman: The Minister has been giving me very extensive answers.

The Chairman: But your questions seem to elicit these.

Mr. Saltsman: I thought my questions were rather short.

Mr. Drury: You asked me what our program is. It is a big one. I have only started. I have not talked about shipbuilding—

Mr. Saltsman: I am glad the Minister is warming to the task.

Mr. Drury: I have not talked about the dairy industry.

Mr. Saltsman: All right; I have one further related question and then I will desist.

You mentioned joint research by the furniture industry. I am not sure about this, but it seems to me that when we were discussing the research bill I raised with you the question of from where non-profit organizations would be able to obtain funds. I do not recall your precise answer, but I believe it was to the effect that non-profit organizations would not be eligible. Am I correct in that?

Mr. Drury: That is correct.

Mr. Saltsman: Then, if the manufacturers in the furniture industry got together to do joint research and joint marketing they would be forming a non-profit corporation which would not be eligible for assistance under the research program that has recently been instituted.

Mr. Drury: The source of funds of such a non-profit organization is the profit-making corporations, and what these corporations put into the non-profit organization for research purposes becomes eligible for the grant.

Mr. Saltsman: I will finish with just a very short sentence. I pointed out to the Minister at the time that if we hoped to encourage this idea there should be a more direct approach to the industry than this. Perhaps this is appropriate for industries comprising large companies with bookkeeping and all the other organizational features, but when you are dealing with a great many small companies then more direct assistance and encouragement to form an association for joint research and selling would be very much worthwhile.

Mr. Drury: I will undertake to see that this is discussed with the furniture manufacturers.

The Chairman: Thank you, Mr. Saltsman. Mr. McCutcheon indicated that he had a few more questions.

Mr. McCutcheon: I have just one.

The Chairman: That is fine, Mr. McCutcheon.

Mr. McCutcheon: You will be pleased to know that. The question is in three parts.

Mr. Drury, new automobile union contracts will be coming up for consideration in September. Walter Reuther has suggested a guaranteed annual wage and, of course, wage parity. What are the dangers to Canadian production if Walter Reuther does not agree that Canadian manufacturers lack the productive efficiency of their U.S. counterparts? Will we again be in the position of having imports from the U.S.A. to satisfy Canadian demand as was alleged by the Chrysler Corporation to have happened a couple of years ago. That is my only question.

Mr. Drury: That is a rather detailed question. Perhaps, as a very brief answer, I could refer you to the *Globe and Mail* of today's date. On the first page of the "'Report on Business" there is a report from Detroit which examines Mr. Reuther's plans and projections.

Mr. McCutcheon: That is fine; but let us suppose that the UAW strikes Canadian operations. What happens to our automobile pact if American companies continue to manufacture while we are shut down in Canada?

Mr. Drury: We have faced that situation previously. There is always the prospect of a strike, or other work stoppage in Canada, not accompanied by a similar work stoppage in the United States. If the demand exists and Canadian manufacturers cannot supply it then, traditionally, the demand has been satisfied by import, and one would expect exactly that to happen. There is nothing new about this.

What is perhaps new is that for the first time, at least to my knowledge, an American labour leader has suggested that he is going to prescribe conditions of work in Canada as a condition of entering into a contract between the Union and a United States firm. Mr. Reuther has indicated that this will be one of his objectives, but it remains to be seen whether he persists in this. Your question is in a sense hypothetical. It may occur, but on the other hand it may not. We have not yet arrived at a real delineation of the situation and we are still a long way from the negotiations themselves.

The Chairman: Mr. Peters, you indicated that you had a question.

Before I recognize you, may I say that it is almost ten minutes to eleven. I would suggest, that if it is agreeable to the Committee, after we have passed Item 1 we might continue in camera to discuss the report that we will make to the House. We have a quorum.

Mr. McCutcheon: I have one further supplementary question. Has the Minister any recommendations on what should be the work of this Committee hereafter?

Mr. Drury: Hereafter?

Mr. McCutcheon: You have no recommendations?

Mr. Drury: No, Mr. Chairman, I have no recommendations; merely commendations.

The Chairman: Thank you, Mr. Drury.

Mr. Peters: Mr. Chairman, I have been interested in the work done by this Department in the last year. They seem to have learned a great deal. I do not think we were so far advanced in the Department of Industry last year. It may be that we did not ask the right questions; I do not know.

It seems to me, Mr. Drury, that it would be of advantage not only to the Committee but to industry generally, particularly the smaller industries, which have little unity amongst themselves such as the furniture industry in southwestern Ontario where it is a major industry but fairly isolated amongst competition—Hanover is separate from Durham and Durham is separate from Stratford and the other areas—if some type of publication could be sent out showing the scope and type of assistance the Department would be prepared to give. We obviously have concentrated on the automobile pact and probably rightly so. I am not sufficiently familiar with it to know whether or not we have resolved anything because there are two sides to it and we have merely stated one of them. Mr. Reuther may state the other, and we may find that this is truly an interchangeable international commodity.

It seems to me that there would be some advantage in putting out fairly regularly a publication that would inform industry of what is being done in one segment so that this may be applied in another which may appear to be unrelated but which may gain some advantage as the Department continues to grow, as it probably will.

Mr. Drury: Mr. Chairman, I commend to Mr. Peters a reading of our Annual Report,

which I will be glad to send to anybody whom I can get to read it.

Mr. Peters: I have read the Annual Report. As do all other annual reports it outlines what the Department has done. I am not speaking of that. I am speaking of a much more technical and specific document.

The Department of Agriculture sends out such a publication dealing with particular aspects of agriculture. It is very specific and frequently outlines what the problem was, what the Department has done, what the solution was, and what the situation is now. It may be that that can be applied to another segment of agriculture that is totally unrelated but which manifests the same cause, effect and result. It seems to me that this could be of assistance.

Mr. Drury: Mr. Chairman, we have a number of very detailed, technical publications similar to those Mr. Peters has referred to as emanating from the Department of Agriculture. We try to distribute these as widely as possible.

Mr. Peters, are you suggesting that we should somehow persuade those in the furniture industry to look at a document relating to paint, or how to organize accounting?

Mr. Peters: No, not really. What we have done in the automobile industry, as I understand it, is to make it an international industry. The government of Canada has fought—whether successfully or not, I do not know—to carve out a section of the American automobile industry for Canada.

Obviously, the furniture industry is also an international industry. In any local store you can buy furniture from a dozen countries of the world, and yet Canadians, in my opinion, have built some exceptionally good furniture.

Recently I read about the argument between contemporary, provincial and Canadiana furniture and what role the manufacturers should be playing in the industry. I do not suggest that we tell them what to do, but we have had experience in one field. This all started, I believe, from the aircraft industry. We found that there was a role Canadians could play in the aircraft manufacturing industry. We got into that role, stayed in it, and have had some success.

In my area there is a manufacturer who started making two very simple plastic commodities. One was a canoe, which, of course, can be manufactured in a very small way. The other was corrosion-resistant plastic for ventilation purposes. This put the manufacturer into a category. This industry obviously should not have stopped where it did, but because of its inability to hire the right people or to get advice about market trends and needs it was obliged to do so.

In the Department of Defence Production some years ago you exhibited all the commodities that you required which were not produced in Canada. You suggested that if these commodities could be produced to meet the standards specified they would be purchased by the Department of Defence Production.

There are several things that could be done at the beginning to inform the small manufacturer about his potential and what assistance might be forthcoming in developing it.

Mr. Drury: Mr. Chairman, I regret to say that it is five minutes past eleven. I have to meet the President of India who is here on a formal visit. Perhaps I will be excused for that.

I will deal briefly with the furniture industry, which you mentioned as an example. We sent a mission composed of representatives of the furniture industry to Europe and the United States to study the techniques of production, the way the furniture business was organized, and the kind of markets they had and expected to get. On its return, the mission produced a report which was circulated to all those engaged in the furniture industry. This gives them a broad conspectus of what is going on elsewhere in the world. This report was prepared by people engaged in the manufacture and marketing of furniture.

We have carried out extensive competitions in, and displays of, furniture design, through the National Design Council. The results of these are communicated to all furniture manufacturers.

We have endeavoured, through the associations, to acquaint them with the benefits to be derived from increased research, not only in product research but in manufacturing techniques. For representatives of the furniture industry we have organized within Canada seminars on marketing, production and design, and we have also made available to them the results of other departmental surveys on the techniques of acquiring new machinery and on new types of production

machinery, and have been of some assistance to them in the examination of freight rate structure and shipping charges.

This is the kind of thing that is done for one particular industry. Obviously not all the manufacturers, particularly the smaller ones, have the time, or perhaps indeed the background, to profit from all of this, but it is our hope that this knowledge, this sophistication, is becoming more and more widespread; and the more useable it becomes to manufacturers through increasing sophistication the more we would hope to provide.

Mr. Peters: If I may ask one rather short question, is anyone in your Department, which is a comparatively new one, specifically charged with ensuring that there is no duplication, or overlapping, of effort in the various departments?

I was interested in your comments about the housing industry and in what you have suggested be done in the field of prefabrication in the matter of the standardization of some of the on-site construction.

I heard the same remarks made at the National Research Council when we visited there last fall and I have also heard them made by the national housing authority. This is a new department and since Parkinson's Law does apply to any government may I ask if there is somebody charged specifically with seeing to it that if you do go into one of these fields you are not duplicating what someone else is doing?

Mr. Drury: I suggest, Mr. Chairman, that what Mr. Peters has been hearing is a coherent acceptance of a similar line of approach. On the BEAM committees, which are tackling this problem specifically in relation to construction industry, the National Research Council, Central Mortgage and Housing Corporation and the Department of Public Works are permanently represented just with a view to ensuring that two different agencies or departments of the government are not doing the same work, or overlapping.

The Chairman: Thank you, Mr. Peters. If there are no further questions I will ask if Item 1 is carried?

Item 1 agreed to.

The Chairman: Thank you very much, Mr. Drury.

Mr. Drury: May I be excused? I am running behind time.

The Chairman: Yes, surely. We have just finished your estimates. I thought you might want to leave on that note. May I thank the Minister and his staff for their excellent co-operation.

I would ask the Committee to remain for a few minutes to continue this meeting in camera.

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